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TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1995

4. AP 6/1: T 71/995/PT. 6

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

SUBCOMMITTEE ON THE TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS

STENY H. HOYER, Maryland, *Chairman*

PETER J. VISCLOSKY, Indiana
GEORGE (BUDDY) DARDEN, Georgia
JOHN W. OLVER, Massachusetts
TOM BEVILL, Alabama
MARTIN OLAV SABO, Minnesota
JIM LIGHTFOOT, Iowa
FRANK R. WOLF, Virginia
ERNEST J. ISTOOK, JR., Oklahoma

C. WILLIAM SMITH, ELIZABETH A. PHILLIPS, DANIEL A. CANTU, and JENNIFER MUMMERT, *Staff Assistants*

PART 6

TESTIMONY OF MEMBERS OF CONGRESS AND OTHER INTERESTED INDIVIDUALS AND ORGANIZATIONS

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U.S. GOVERNMENT PRINTING OFFICE

78–806 O WASHINGTON : 1994

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-044289-3

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TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR 1995

TESTIMONY OF MEMBERS OF CONGRESS AND OTHER INTERESTED INDIVIDUALS AND ORGANIZATIONS

WEDNESDAY, MARCH 23, 1994.

WITNESS

HON. J.J. PICKLE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. VISCLOSKY [presiding]. The committee will be in session.

Our first witness is the Honorable Jake Pickle from the State of Texas.

Mr. Pickle, please proceed.

Mr. PICKLE. Mr. Chairman, and Members of the committee, I am delighted to be with you this afternoon. I have a short statement to make and I ask that it be revised and extended and put in the record, and let me follow a short outline.

I am making a formal request for funds for the Center for the Study of Western Hemispheric Trade. As you may know, this Center for the Study of Hemispheric Trade was established by NAFTA-implementing legislation last year. And in the legislation, it was stated that the Center would be chosen to be located in Texas because Texas has the largest border with and is the State with the largest amount of trade with Mexico. In 1992, almost half of the $76 billion in dollars in U.S. trade with Mexico flowed through Texas.

You may remember that this same piece of legislation was inserted in the H.R. 11 last session by then Senator Lloyd Bentsen who recommended the Center be established and located in Texas. That legislation was passed and it was forwarded to the White House, but the President vetoed it, but not because of that trade legislation, but for other tax matters.

I implemented the same piece of legislation again this year that Senator Bentsen then had introduced and passed, and this legislation passed with NAFTA last year is almost verbatim, the same legislation that we had previously.

Now, in asking for this legislation, I went to the Chairman of the House Trade Subcommittee, Mr. Gibbons, and the Ranking Republican. I visited with the Special Trade Representative. We went through the Administration to be sure there would be no opposition, that everybody would support this.

It is not a controversial piece of legislation that I know of because we have tried to be certain that we are all in agreement. The law authorizes and directs the Commissioner of Customs to begin making grants not later than December 1st, 1994 to an educational institution or consortium of universities in Texas to assist in the planning, establishment and operation of a year-round center.

Your staff had asked me earlier if the institutions were specifically designated and I concede to you, unofficially, that the University of Texas and the Texas A&M University are working together on this. Of course, the application would be made to the Customs Commissioner and others may apply, but at this point, our universities in Texas are trying to work together as a unit and that is why we are proceeding on this basis.

Now, the purpose of the Center will be to examine the impact of NAFTA on the economies in and trade within the Western Hemisphere, possible accesses to NAFTA, adjusting tariffs, improving relations among Customs officials, plus the negotiation of any future trade agreements. The Center would provide forums and information on how to function for those seeking to do business in or invest in other western hemispheric countries.

We believe that by conducting studies and research on subjects affecting Western Hemispheric trade, the Center will serve as a clearinghouse of information, publishing and distributing valuable data.

Now, the Ways and Means Committee reported this language out when you passed the NAFTA last year. It was my amendment that I had offered, and we pointed out that it was necessary to give this hemisphere the important economic, political and cultural sponsorship that is needed. We think this Center is necessary and will serve a very particular purpose. Perhaps more than any center that has ever been established, because we have our border right next to Mexico. It is not across the seas or across the continent. It is neighbor to neighbor, and most of the trade flows now through this corridor. We think it will be an extremely valuable center.

Now, we are not asking, Mr. Chairman, for $10 million for each of the three years in order to put up a big building or a big structure. I think the two universities, though I can't say this officially, are trying to work in terms of using facilities that they have. The reason that would be important is the University of Texas and Texas A&M have universities located all over Texas beginning with one at the Pan American Center in the Valley.

Texas A&M has a State university at Laredo, and the University of Texas has a campus in San Antonio. We have our main U.T. campus in Austin, and A&M's is in College Station, and then the University of Texas has another big headquarters at El Paso. So we encompass over 60 percent of all that border with Mexico between Texas and California and we think that we can hold innumerable seminars and meetings to disseminate information.

So therefore we are asking for $10 million to get this program under way. The Commissioner of Customs is already making contact with Texas. I have talked to the Commissioner and he is anxious to go forward on it. So we are asking you for this appropriation.

[The prepared statement follows:]

Congressman J.J. "Jake" Pickle Testimony on the Center for the Study of Western Hemispheric Trade before the Treasury, Postal Service, and General Government Subcommittee March 23, 1994

Mr. Chairman, I appreciate the opportunity to appear before my distinguished colleagues today to formally submit my request for funding for the Center for the Study of Western Hemispheric Trade.

As you may know, the Center for the Study of Western Hemispheric Trade was established by the NAFTA implementing legislation last year. It was logically chosen to be located in Texas because it has the largest border and is the state with the largest amount of trade with Mexico. In 1992, almost half of the $76 Billion in U.S. trade with Mexico flowed through Texas.

Mr. Chairman, you may also recall that this same piece of legislation passed both the House and the Senate during the 102nd Congress when then-Senator Bentsen submitted it into H.R. 11, the tax bill that President Bush vetoed for reasons not related to the Center. Today, I come before the distinguished Subcommittee simply trying to finish what Texas's former-Senator Bentsen started.

I want to point out to you that this Center is supported by the Chairman of the Trade Subcommittee as well as the Ranking Minority Member. The Commissioner of Customs also supports the Center, and the Customs staff is currently planning for the administration of these grants. The law authorizes and directs the Commissioner of Customs to begin making grants not later than December 1, 1994 to an educational

institution, or consortium of institutions, in Texas to assist in the planning, establishing, and operating a year-round Center.

The purpose of the Center will be to examine the impact of NAFTA on the economies in and trade within the Western Hemisphere, possible accessions to NAFTA, adjusting tariffs, improving relations among customs officials, plus the negotiation of any future trade agreements. The Center shall provide forums and information on "how-to" for those seeking to do business in or to invest in other Western Hemispheric countries. By conducting studies and research on subjects affecting Western Hemispheric trade, the Center will serve as a clearinghouse of information, publishing and distributing valuable data. The Center should also provide grants and fellowships to outstanding scholars and qualified graduate students from Western Hemispheric countries.

The Ways and Means Committee report language states that the Texas Center is necessary given the important economic, political and cultural relations with other Western Hemispheric countries. Mr. Chairman, this Center is necessary to improve our cultural relations and understanding with our 400 million neighbors to the south. This Center will provide an objective and academic climate to exchange problems and solutions that will naturally arise as we develop relations with other Western Hemispheric countries.

The Center for the Study of Western Hemispheric Trade is authorized for $10 million for fiscal year 1994 and such sums as may be necessary in the three succeeding fiscal years to carry out its purposes. The Center should remain under the auspices of the major universities to which it is granted, and the funds should be used to fulfill its purpose of

researching and providing information. We are not asking for the construction of a large expensive new facility. This research should be conducted at existing facilities within these universities. As a matter of fact, the language states that the Customs Commissioner should take into consideration what resources the universities can provide in addition to federal funds when making his grant. Mr. Chairman, I respectfully request that your Subcommittee appropriate the full $10 million amount authorized for fiscal year 1995 for the Center for the Study of Western Hemispheric Trade.

The Center for the Study of Western Hemispheric Trade will play a significant role in the way we do business in and associate with Latin America. It is necessary and appropriate for our country's trade relationships among small businesses; and now with your support for funding -- it will become a reality.

Mr. Chairman, I thank you and your colleagues for sharing your valuable time with me today.

Mr. VISCLOSKY. Mr. Pickle, I appreciate your testimony and certainly what you want to do with the Trade Center in the State of Texas. I guess I would just have two questions. One, I assume from your testimony that Notre Dame is not eligible.

Mr. PICKLE. Would be what?

Mr. VISCLOSKY. Notre Dame is not eligible to participate.

Mr. PICKLE. Well, we would take it under consideration.

Mr. VISCLOSKY. The second question, on the $10 million, my understanding is the authorization is $10 million in the first year and such sums as are necessary in the subsequent three years.

Mr. PICKLE. Yes.

Mr. VISCLOSKY. The Center could use, and the State and universities could use the full $10 million for this year effectively? They could use the entire $10 million in fiscal year——

Mr. PICKLE. Yes. Yes. The big cost is going to be in the initial operation of it. A lot of times you put a center up, the first thing you want to do is put up a big building and have a kind of a big centerpiece there. We don't think that is going to be necessary.

Now, I may be taking an assumption that is not mine to make, but I don't think the intent is to try to put up a new facility. Most of it is going to be spent in implementing it and they are going to use it immediately.

Mr. VISCLOSKY. Mr. Pickle, thank you very much. We appreciate your commitment to the Center and assure you that it will receive every consideration.

Mr. PICKLE. I am going to add one thing, Mr. Chairman. We have had centers at one time or another that all serve a distinct purpose. This is an ideal location. It can do a lot of good. Some of the people in the trade field now are already talking—this may be one of the most important aspects of this whole agreement because we are so close together and with NAFTA implementation now, we need to get going.

So I appreciate every consideration the committee can give us.

Mr. VISCLOSKY. Thank you very much.

WEDNESDAY, MARCH 23, 1994.

WITNESS

HON. JOHN EDWARD PORTER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. VISCLOSKY. Mr. Porter.

Mr. PORTER. Mr. Chairman.

Mr. VISCLOSKY. Mr. Porter, you are a member of the full committee. We appreciate your attendance today and would ask that you proceed.

Mr. PORTER. Thank you, Mr. Chairman.

Two years ago, I came before the subcommittee to discuss an unintended adverse effect that a Postal Service regulation has had on a newspaper published in my district. The regulation, Mr. Chairman, is overall a good one. It prevents commercial mailers from stuffing their magazines full of inserts without paying additional postage.

However, the regulation accidentally includes within its reach newspapers that appear in a bound format that as newspapers have a two stapled binding. These are bona fide second class weekly newspapers which occasionally contain loose supplements. Usually they are advertising mailers for local small businessmen who would be otherwise unable to afford the cost of advertising. But the newspapers simply don't follow what we have come to know as the conventional format.

This handful of newspapers published by the Pioneer Press which is headquartered in my district and which serves mainly the communities I represent are the only newspapers in the country adversely and unfairly affected by this regulation.

Two years ago, the subcommittee recognized this problem and included report language in the fiscal year 1993 appropriations bill which urged the Postal Service to review the regulation and see if an adjustment could be made to accommodate the needs of these newspapers.

Mr. Chairman, they didn't do that that year, but recently the Postal Service has initiated a task force which is reviewing the distinctions between newspapers and magazines which we hope will propose changes to the current regulations that would address the problem that the Pioneer Press has had.

I would simply ask that the subcommittee include language as it did two years ago to follow up on this and encourage the Postal Service to resolve this in a favorable and fair way.

[The prepared statement follows:]

Testimony of the Hon. John Edward Porter
before the
Subcommittee on Treasury, Postal Service, General Government
March 23, 1994

Mr. Chairman, two years ago I came before your Subcommittee to discuss the unintended adverse effect that a Postal Service regulation has had on a newspaper publisher in my district.

The regulation at issue is a good one -- it prevents commercial mailers from stuffing their magazines full of inserts without paying additional postage. However, the regulation accidently includes within its reach newspapers that appear in a bound format -- newspapers with two staple bindings.

These are bona-fide second-class weekly newspapers which occasionally contain loose supplements -- usually advertising mailers for local, small businessmen who would otherwise be unable to afford the cost of advertising. These newspapers simply do not follow what we have come to know as the conventional format.

This handful of newspapers, published by Pioneer Press which is headquartered in my district and which serves many of the communities I represent, are the **only** newspapers in the country adversely affected by this regulation.

Two years ago, the Subcommittee recognized this problem and included report language in the Fiscal Year 1993 appropriations bill which stated, "The Committee urges the Postal Service to review this regulation to see if an adjustment could be made to accommodate the needs of these newspapers."

The Postal Service chose not to respond to this report language, and the problem still exists.

Recently, the Postal Service has initiated a task force which will review the distinctions between newspapers and magazines and may propose changes to the current regulations pertaining to the preparation of second-class mail supplements. The Postal Service has agreed to meet with Pioneer Press to discuss their problem.

If this task force is unable to accommodate Pioneer Press, I would like to request that the Subcommittee again include report language to request the Postal Service to clarify this regulation to eliminate its unintended effect on these second-class newspapers.

102D CONGRESS 2d Session | HOUSE OF REPRESENTATIVES | REPORT 102-618

TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS BILL, 1993

JUNE 25, 1992.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ROYBAL, from the Committee on Appropriations, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany H.R. 5488]

The Committee on Appropriations submits the following report in explanation of the accompanying bill making appropriations for the Treasury Department, the U.S. Postal Service, the Executive Office of the President, and certain Independent Agencies for the fiscal year ending September 30, 1993, and for other purposes.

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and volume of these shipments and how these services relate to the Postal Service national mail operations. Further, the Postal Service is requested to report back to the Committee within 60 days of the enactment of this bill on future Postal Service plans for expansion or reorganization of Postal operations on a national or regional basis and how these changes would affect the level and nature of these shipments through Toledo.

REVENUE FORGONE

The Committee is concerned about the impact of the revenue forgone changes as it relates to rural in-county newspapers. It is the Committee's intent that any changes made to the revenue forgone account should not adversely impact the rates for second-class mailers who are now receiving a preferred postal rate.

SUPPLEMENTAL INSERTS IN NEWSPAPERS

The Committee is concerned that a current Postal Service regulation, (Section 424.4, Supplements, .43) which is aimed at controlling the inclusion of loose supplements in magazines and commercial mailings, has an unintended adverse effect on a handful of second class weekly newspapers utilizing a two-staple bound format. The intent of the regulation is to prevent commercial mailers from including numerous supplemental inserts without paying additional postage. However, a very small number of bona fide newspapers which use a two-staple bound format are also affected by the regulation. The Committee requests the Postal Service to review this regulation to see if an adjustment could be made to accommodate the needs of these newspapers.

PAYMENT TO THE POSTAL SERVICE FUND FOR NONFUNDED LIABILITIES

Appropriation, fiscal year 1992 to date	$40,575,000
Budget estimate, fiscal year 1993	38,614,000
Recommended in the bill	38,614,000
Bill compared with:	
Appropriation, fiscal year 1992	−1,961,000
Budget estimate, fiscal year 1993	

The Committee recommends an appropriation of $38,614,000, the full amount of the fiscal 1993 budget request, and a reduction of $1,961,000 below fiscal year 1992.

An annual amount is requested to fund compensation paid to postal employees for injuries which occurred prior to July 1, 1971, while employed by the Post Office Department, which remain liabilities of the U.S. Government. The Postal Service annually requests an appropriation to cover the amount billed by the Department of Labor for compensation payments made in the latest fiscal year. The amount appropriated is then reimbursed to the Department of Labor.

GENERAL PROVISION—POSTAL SERVICE

The Committee has included a new provision (Section 201) which forbids a change in rate of postage for non-profit mail. This General Provision is more fully explained under the heading "Reduction in Revenue Forgone Appropriation" (page 29).

Mr. VISCLOSKY. Mr. Porter, again, appreciate your commitment, the fact that you have continued to follow up with us and assure you it will receive fair consideration.

Mr. PORTER. Thank you, Mr. Chairman.

Mr. VISCLOSKY. I would point out that we have not received a copy of your testimony. If you could make sure that at some point during the day your staff could give us a copy, we would appreciate it.

Mr. PORTER. Thank you very much.

WEDNESDAY, MARCH 23, 1994.

SACRED HEART HOSPITAL

WITNESSES

HON. PAUL McHALE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

JOAN M. BERTA, EXECUTIVE DIRECTOR, SACRED HEART HEALTHCARE SYSTEM

Mr. HOYER [presiding]. Thank you, Mr. Visclosky, for getting the hearing started.

Next, we will have—is Congressman McHale here. He is right over here, very distinguished member from Pennsylvania. We are very pleased to have you here, Paul, speaking on behalf of Sacred Heart Hospital. I also understand Joan Berta. Ms. Berta, we are very pleased to have you here as well.

Congressman, we will put your—if you have a prepared statement, we will put that in the record. If not, we will be glad to hear from you.

Mr. MCHALE. I don't have a prepared statement and my remarks will be relatively brief. I guess the emphasis is on the word relatively. My purpose in appearing before you today is to introduce Joan Berta who is the Executive Director of Sacred Heart Healthcare System.

Dating back to 1912 with the establishment of the hospital and the Rectory of Sacred Heart Church in Allentown, the Sacred Heart Healthcare System, a nonprofit corporation formed in 1984 has operated exclusively for charitable, health, scientific and religious purposes. The hospital is licensed and approved to operate a 293-bed general acute care community hospital.

Mr. Chairman, I would insert parenthetically, the emphasis there is on the word community hospital. This really is a truly unique institution.

The hospital is located in downtown Allentown on a campus that includes seven interconnected buildings and two freestanding structures that account for approximately 4,000 square feet of space. Recently, Mr. Chairman, the Sacred Heart Healthcare System developed a plan to implement an effective health care and social service delivery unit, the Allentown Health Park.

Based on an integrated partnership between public and private resources, this plan will serve as an effective and valuable resource of assistance to those who are truly most in need, the elderly, the sick and the poor.

Mr. Chairman, I will conclude with just a few extemporaneous remarks that I hope can place the proper emphasis that I would like to place on the importance of this proposal. My mother gave birth to her first child in this hospital 50 years ago. My wife has given birth to our three children in this hospital.

It is an extraordinary community asset. It provides care in an urban environment where hundreds of poor citizens literally would not have access to a health care delivery system but for the facilities and the social conscience of this medical facility. It provides care for those who truly are most in need.

Mr. Chairman, this proposal was first brought to my attention by Fred Rooney who was one of my predecessors in representing the 15th congressional district. I cannot tell you in words that are too strong how important this proposal is for me.

In the 103rd Congress, as we all must prioritize the projects that are brought to our attention, I can tell you without reservation that there is no proposal, no legislative challenge more important to me than finding the funding for this facility so that they in turn may continue to provide high quality care at little or no cost to the citizens who are most desperately in need in this urban environment.

This is something that means a great deal to me and I would ask that it be given serious consideration by the subcommittee.

Mr. HOYER. Thank you very much, Congressman. That was very compelling testimony.

Mr. HOYER. Ms. Berta. We would be glad to hear from you. We will include—I see you do have a prepared statement. We will include that in full in the record at this time to follow on Congressman McHale's statement and we will be glad to hear from you.

Ms. BERTA. Thank you. Mr. Chairman and Members of the subcommittee, thank you for providing me the opportunity to testify. In my testimony today, I will tell you about Sacred Heart Healthcare System's unique long-range plan to improve delivery of primary health and social services in the City of Allentown.

From its beginnings in 1912, Sacred Heart has had as its core philosophy to provide health care services to those in need. Further, as the only full service community hospital in the city, we have a profound understanding of the health care needs of our community.

Because of our philosophy and our understanding of these needs, we have already taken steps in conjunction with officials in Allentown and Lehigh County to improve the delivery of primary health and social services in the City of Allentown through the development, coordination and integration of these services.

Specifically Sacred Heart has begun the development of the Allentown Health Park. The objectives of the Health Park are to improve the health status of the residents of Allentown, to increase access to the city's underserved population, to not only health care but also to government and community sponsored social services, through the physical and functional integration of these services, to create greater efficiency in the delivery of health care and social services, and to reduce costs through the coordination and integration of these services.

The end result of these efforts will be to provide the recipients of these services with a seamless continuum of care. Additionally,

it will put added resources in the hands of the providers who need it most.

The Health Park will be located in center city Allentown adjacent to Sacred Heart. In addition to the hospital and an existing medical office building, the Health Park will include the Center for Primary Health and Family Practice Development, an outpatient cancer center and medical office building, housing for the elderly, county human service agencies, city health services and community social service organizations.

Although the city of Allentown and Lehigh County are active participants in the Health Park, I will address today only Sacred Heart's role in the health care delivery aspects of the park, particularly the Center for Primary Health and Family Practice Development.

As we envision it, the Center for Primary Health and Family Practice Development will serve as an anchor for the park. Specifically, the Center will be dedicated to delivery of primary and preventive health services to the medically underserved residents of Allentown in an environment designed to contain health costs.

The Center will focus on disease prevention, health promotion, maintenance screening, health education and only when necessary, provide treatment and intervention. The Center will also focus on community education in the areas of primary care, preventive medicine, health maintenance and promotion.

Finally, the Center will serve to increase the number of medicare professionals who practice primary care in the region. The Center will be a model teaching facility for Family Practice residents, who are well-suited to deliver primary care services, will train nurse practitioners who are specializing in a primary care discipline as well as train dental residents.

Because of Sacred Heart's longstanding leadership role in the delivery of primary care at Allentown, we feel that we are uniquely qualified to develop the Allentown Health Park and to operate the Center for Primary Health and Family Practice Development.

There is little doubt that there is tremendous need in Allentown for an innovative approach to health care and social service that the Health Park and the Center will provide. Out of Allentown's 105,000 residents, 22 percent are children, 17 percent are elderly, and Hispanic residents make up another 12 percent of the population.

The city also has a significant portion of its population living in poverty. Particularly affected are the elderly, minorities and children. 51.5 percent of all Hispanic children in Allentown live in poverty, ranking the city 10th nationally.

While our statistics are certainly compelling, we recognize that Allentown is not the only city in the Nation that faces such hardships. However, we believe that the plan that we have developed in conjunction with the City of Allentown and Lehigh County is one that can be used as a model for other distressed areas.

We are very proud of our accomplishments to date. However, we recognize the need for expanded health services is growing rapidly. As such, Sacred Heart and the Allentown community are seeking the subcommittee support to establish a Center for Primary Health

and Family Practice Development to be located in the Allentown Health Park.

We hope that you will give this proposal serious consideration in fiscal year 1995 and thank you for giving me this opportunity to testify today.

[The prepared statement and answers to questions submitted for the record follows:]

TESTIMONY OF JOAN M. BERTA
EXECUTIVE DIRECTOR
SACRED HEART HEALTHCARE SYSTEM

before the

SUBCOMMITTEE ON TREASURY-POSTAL SERVICE-GENERAL GOVERNMENT
HOUSE APPROPRIATIONS COMMITTEE
U.S. HOUSE OF REPRESENTATIVES
March 23, 1994

Mr. Chairman and members of the Subcommittee, thank you for providing me this opportunity to testify today. In my testimony, I will tell you about a unique, long-range plan to improve the delivery of primary health care services and social services in the City of Allentown. Sacred Heart HealthCare System has developed this plan, which is already being implemented, in concert with city and county officials to form a private-public partnership that will serve the residents of Allentown who are most in need of health care and social services.

Sacred Heart HealthCare System has been operating as a non-profit institution in Allentown since 1912. Since its founding, providing health care services to those in need has been at the cornerstone of our philosophy; as a result, we have a profound understanding of the health care needs of the community and know that these necessary services cannot be adequately delivered in a hospital setting. It is for this reason that we have pursued and begun to implement the proposal I am about to describe to you.

Specifically, Sacred Heart has begun development of the Allentown Health Park. The objectives of the health park are:

- To improve the health status of the residents of Allentown.
- To increase the access of the City's underserved populations to both health care and government- and community-sponsored social services through the physical and functional integration of these services.
- To create more efficiency in the delivery of health care and social services.
- To reduce costs through the integration of services.

Sacred Heart HealthCare System

As outlined in the objectives, the Allentown Health Park will integrate health care and social services to provide the recipients of these services with a "seamless" continuum of care. It will also put added resources in the hands of providers. Social services agencies will be better equipped to assist their clients with health care issues. Further, there will be improved coordination among the various agencies. Similarly, health care providers will be able to coordinate with social services agencies to augment the care of patients. For instance, Sacred Heart will be better able to assist elderly patients by working closely with the Lehigh County Senior Citizens Program to ensure that the patient will be well cared for after leaving the hospital; and the social services agencies can insure that a low-income expectant mother will get adequate prenatal care. Finally, the presence of all of these services in a central location provides convenience for the recipients of services and incentive for them to utilize services.

The Health Park will be located in the center of the city, adjacent to Sacred Heart, a 292 bed acute care hospital. In addition to the hospital and an existing medical office building, the Health Park will include the Center for Primary Health and Family Practice Development, an out-patient cancer center with medical offices, housing for the elderly, the county human service agencies, city health services, and community social service organizations.

Although the City of Allentown and Lehigh County are active participants in the Health Park, I will address today only the health care delivery aspects of the park, particularly the Center for Primary Health and Family Practice Development, for which Sacred Heart is seeking the Subcommittee's support for $7.5 million in Federal assistance.

It is our vision that the Center for Primary Health and Family Practice Development will serve as the anchor of the Health Park. Specifically, the Center will be dedicated to the delivery of primary and preventive health care services to the medically underserved residents of Allentown in an environment designed to contain spiraling health care costs. The Center will focus on disease prevention, health promotion (maintenance and screening), health education,

and when necessary, provide treatment and intervention. By focusing on prevention and early detection, costly hospital stays can be reduced and the health status of the population improved. The services provided will be culturally sensitive, allowing for broader-based use by the at-risk population.

The Center will also focus on community education in the areas of primary care, preventive medicine, health maintenance and promotion. This program will raise community awareness and encourage individuals to assume more responsibility for their health and the health of their families. Finally, the Center will serve to increase the number of medical professionals who practice family medicine in the Allentown area and in the region. The Center will be a model teaching facility for Family Practice residents, who are well-suited to deliver primary care services. The Center will also provide training for nurse practitioners who desire to specialize in a primary care discipline, and for dental residents. Because of Sacred Heart's longstanding leadership role in the delivery of primary care in Allentown, we feel that we are uniquely qualified to develop the Allentown Health Park and to operate the Center for Primary Health and Family Practice Development.

There is little doubt that there is a tremendous need in Allentown for the innovative approach to health care and social services that the Health Park, and the Center for Primary Health and Family Practice Development in particular will provide. The following profile of the City of Allentown will shed considerable light on this need.

The City of Allentown has a population of 105,000 and is home to growing populations of elderly residents and minorities, particularly Hispanics. The elderly account for 17 percent of the City's residents and this population will increase significantly in the next 10 years. Hispanic residents make up another 12 percent of the population. In addition, 22 percent of the City's residents are children.

Many of Allentown's residents are considered low- and middle-income earners. An overwhelming 33 percent of Allentown's 42,600 households rely on Social Security income.

As measured in dollars, these residents have a mean Social Security income of $8,256 a year. Another 8.5 percent of Allentown's residents receive public assistance. According to the latest census, 13 percent of the City's residents live below the poverty level. Among children under the age of five, 26 percent live in poverty, and 51.5 percent of all Hispanic children in the City live in poverty, ranking Allentown tenth nationally.

Sacred Heart is painfully aware of these statistics and their impact on health care. As the only full service community hospital in the City, we see them in our Emergency Room every day. We see them as patients with serious diseases which could have been easily treated if these diseases had been detected early. We see them in the elderly who often don't receive proper medical treatment or cannot care for themselves. And we see them in children who have not been immunized, or for that matter, have never seen a doctor. In short, we see those who have fallen through the cracks of our health care and social services systems.

Statistics taken from Sacred Heart's records can better quantify the need for more efficient primary health care services. Sacred Heart's emergency room, like many emergency rooms nationally, is providing non-emergency services to area residents. According to hospital records, 50 percent of the 33,600 visits to Sacred Heart's emergency room in fiscal year 1992 were categorized as non-urgent. Hospital records also indicate that the emergency room serves primarily Allentown residents and that a majority of these patients receive medical assistance or do not have insurance. In fiscal year 1993, 84 percent of the patients seen in the emergency room were from Allentown, and 60 percent of these patients reside in the hospital's zip code. Forty-seven percent of all patients seen in the emergency room relied on medical assistance, while another 10 percent did not have any insurance at all. An astounding 70 percent of the patients on medical assistance seen in the Emergency Room resided in the hospital's zip code.

While these statistics are certainly compelling, we recognize that Allentown is not the only city in the nation that faces such hardships. We believe that the plan that Sacred Heart has developed with the City and Lehigh County is one which can be used as a model for other

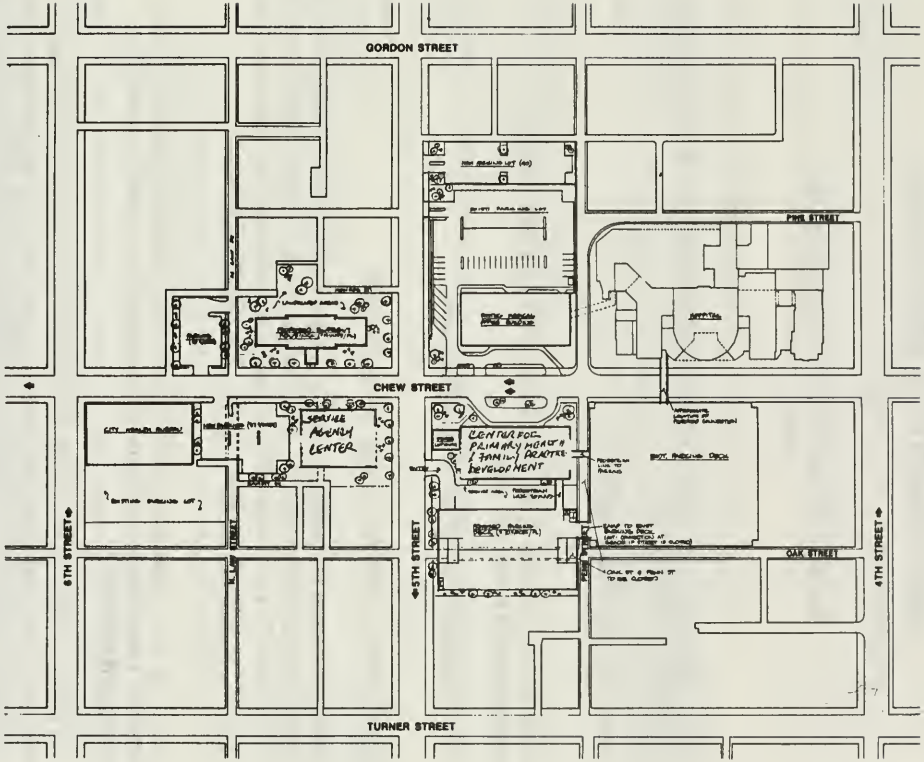
economically distressed areas, both urban and rural, throughout the nation that are seeking new methods to deal with these issues upon which their economic future rests.

Although bringing all of the necessary elements together to create the Health Park is a challenging task, Sacred Heart has already made significant strides. Sacred Heart has been working closely with city and county officials on the plan, and has consulted with experts at local colleges about developing improved education and training programs. Most recently, the hospital broke ground on the out-patient cancer center and a 400-space parking deck. This project will be completed in January of 1995 at a cost to the hospital of $6.5 million. In addition, Sacred Heart has to date expended $1.25 million to expand primary care services. We also plan to invest another $1 million in the Center for Primary Health and Family Practice Development.

We are very proud of what we have been able to accomplish to date. However, the need for expanded health services is growing rapidly and we know that we must do more in the near future. Sacred Heart continues to struggle with the economic and health care realities that its service population faces, but cannot overcome this challenge alone.

As such, Sacred Heart and the Allentown community are seeking a Federal contribution of $7.75 million to establish the *Center for Primary Health and Family Practice Development* to be located in the Allentown Health Park. We hope that you will give this proposal serious consideration as you and your Subcommittee make spending decisions for Fiscal Year 1995..

Again, thank you for giving me this opportunity to testify before your Subcommittee.



SACRED HEART HOSPITAL
the klett organization architects
M.P.

RESPONSE TO QUESTIONS FOR THE RECORD

Submitted To The

SUBCOMMITTEE ON TREASURY, POSTAL SERVICE AND GENERAL GOVERNMENT HOUSE COMMITTEE ON APPROPRIATIONS

By

SACRED HEART HEALTHCARE SYSTEM
April 27, 1994

1. **WHAT ORGANIZATION WOULD BE THE RECIPIENT OF THE FEDERAL FUNDS REQUESTED?**

   Sacred Heart HealthCare System

2. **HOW MUCH MONEY ARE YOU REQUESTING FROM THIS SUBCOMMITTEE IN FY 1995?**

   We are requesting $7,750,000 in Fiscal Year 1995.

3. **WHAT WOULD THESE FUNDS BE USED FOR?**

   These funds would be specifically used to construct the Center for Primary Care and Family Practice Development, the anchor of the Allentown Health Park. The purpose of the Health Park is to physically and functionally integrate city, county and state social service agencies and private health care delivery services.

4. **WHAT IS THE FEDERAL PURPOSE OF THE SPECIFIC PROJECT FOR WHICH THIS ORGANIZATION IS REQUESTING FUNDS FROM THE SUBCOMMITTEE?**

   The Center for Primary Health and Family Practice Development will be unique in both design and function, and will serve as a model for public/private integration of services and programs. The Allentown Health Park, of which the Center will be the anchor, will represent an architectural and functional integration of public and private social and health care services.

5. WHAT WILL BE THE ON-GOING FEDERAL OPERATIONS AT THE FACILITY OR PROGRAM INVOLVED ONCE IT IS OPERATIONAL?

No funds for operation of the Health Park or the Center for Primary Health and Family Practice Development are being requested. The Health Park will provide a unique venue for the administration and delivery of a number of Federal programs.

6. ARE YOU REQUESTING ANY FUNDS FOR NON-CONSTRUCTION PURPOSES?

No such funds are being requested.

7. WHAT IS THE TOTAL EXPECTED COST OF THE PROJECT?

The total cost of the Center for Primary Health and Family Practice Development is $10,000,000, for which Sacred Heart is seeking a Federal contribution of $7,750,000. The total cost of the Allentown Health Park is estimated to be $25,500,000.

8. HOW MUCH STATE, LOCAL OR PRIVATE FUNDS WILL BE USED FOR THE PROJECT?

The breakdown of projected funding sources for the Allentown Health Park is as follows:

Federal	$ 7,750,000
Sacred Heart	8,750,000*
Other sources (public/private)	9,000,000
TOTAL	$25,500,000

* Note: Sacred Heart is contributing a total of $2,250,000 directly toward the cost of the Center for Primary Health and Family Practice Development, and another $6,500,000 toward the Health Park.

9. FOR FY 1994, WHAT WAS THE TOTAL AMOUNT OF FEDERAL FUNDS THAT THIS ORGANIZATION RECEIVED, AND FOR WHAT ACTIVITIES?

Sacred Heart HealthCare System received no Federal funding in Fiscal Year 1994, except for reimbursements from Medicare and Medicaid for the delivery of health care services.

10. HAS THE PROJECT RECEIVED FEDERAL FUNDS IN THE PAST? IN WHAT FISCAL YEARS WERE THOSE FUNDS RECEIVED, AND HOW MUCH?

This project has never received any Federal funding.

11. ARE YOU SEEKING FUNDS THIS YEAR FROM ANY OTHER FEDERAL SOURCE, OR ANY OTHER SUBCOMMITTEE?

Sacred Heart is committed to pursuing Federal assistance for this project. As such, we understand that it may be necessary to pursue funding from other Subcommittees and/or Federal sources.

12. WILL YOU BE SEEKING FUNDS FOR THIS SUBCOMMITTEE OR ANY OTHER SUBCOMMITTEE IN THE FUTURE?

Sacred Heart is committed to pursuing the funding necessary to ensure completion of the Center for Primary Health and Family Practice Development.

13. IS YOUR ORGANIZATION CURRENTLY REPRESENTED BY ANY INDIVIDUALS, LAW FIRM, LOBBYING FIRM, OR OTHER ORGANIZATION FOR THE PURPOSE OF OBTAINING FEDERAL FUNDS?

Yes, Sacred Heart retains a number of consultants, including government relations consultants.

Mr. HOYER. Thank you very much. That was excellent testimony. Let me ask you. You may have said this. You are seeking $7.5 million as the Federal component. How much is the overall cost?

Ms. BERTA. The overall cost of the—what we are asking for today is for the Center for Primary Health and Family Practice Development. That overall cost is approximately $10 million plus, but we have added other buildings to the Health Park already at—spent about $7 million plus on that.

Mr. HOYER. Both of your testimonies were excellent. Let me say to you, Ms. Berta, that your area of the country is very fortunate to have as able a representative as you have in Mr. McHale. He is new as you know, but you wouldn't know it from his effectiveness in the Congress. He is very, very well respected and liked and gets the job done.

Nice to see you. Thank you for being with us.

Mr. MCHALE. Mr. Chairman, if I could make one brief comment in closing. Ms. Berta indicated that 51 percent of the Hispanic children in our community live in poverty. What you may not be able to tell from the text of the testimony is that this medical facility is located in the heart of the Hispanic community in Allentown.

We have a very large Hispanic and Latino population, much of that population living below the poverty level. This facility is truly unique in that it is not only located in a major urban area, but right in the heart of the community most desperately in need of primary medical care.

I would ask that to be considered by the committee as you review Ms. Berta's testimony and my plea for assistance.

Mr. HOYER. Thank you very much. We appreciate it.

WEDNESDAY, MARCH 23, 1994.

CHILDREN'S NATIONAL MEDICAL CENTER

WITNESSES

ROBERT A. MALSON, VICE CHAIRMAN, HOSPITAL BOARD
MARTIN R. EICHELBERGER, DIRECTOR, TRAUMA SERVICES

Mr. HOYER. Next we will hear from Mr. Robert Malson and Dr. Eichelberger. We are very pleased to have both of you here, two good friends of mine and two folks who work with an institution that performs an incredible service for our community. Pleased to have you here.

Mr. MALSON. Thank you very much, Mr. Chairman.

Mr. Chairman, distinguished members of the subcommittee, we appreciate the opportunity to appear before you today. I am Robert Malson, the Executive Vice President and Chief Operating Officer of the Close-Up Foundation. That is what I do for a living but today I am here in my capacity as a volunteer member of the board of directors of the Children's National Medical Center whereby I serve as vice chair.

I am accompanied by Dr. Martin Eichelberger who is the Director of Trauma Services at the hospital.

On a personal note, Mr. Chairman, on behalf of all of us in the Children's National Medical Center community, I want to thank you for your longstanding commitment to Children's Hospital. I

would also like to ask if we may to have my complete testimony submitted for the record and I would like to speak briefly from that testimony for you this afternoon.

Mr. HOYER. Excellent. Without objection, your full testimony will be included at this time in the record and you can excerpt it as you deem best.

[The prepared statement and answers to questions submitted for the record follows:]

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Children's *Research Institute*
Children's *Hospital Foundation*
Children's *Faculty Associates*
Child *Ventures*

TESTIMONY OF
MR. ROBERT A. MALSON,
VICE CHAIRMAN, HOSPITAL BOARD
DR. MARTIN R. EICHELBERGER,
DIRECTOR, TRAUMA SERVICES
CHILDREN'S NATIONAL MEDICAL CENTER
WASHINGTON, D.C.

Presented to
The Subcommittee on Treasury, Postal Service
and General Government
Committee on Appropriations
U.S. House of Representatives
Washington, D.C.

March 23, 1994

Mr. Chairman, we appreciate the opportunity to appear before you and the distinguished members of this Subcommittee this afternoon. I am Robert A. Malson, Vice Chairman of the Hospital Board at Children's National Medical Center. I am accompanied by Dr. Martin Eichelberger, who is Director of Trauma Services at the hospital.

On behalf of all of us in the Children's National Medical Center community, I want to thank you for your longstanding commitment to Children's Hospital, and your continued interest in the initiative we are undertaking at Children's -- the establishment of a National Child Protection, Trauma and Research Center. This Subcommittee has been instrumental in assisting Children's Hospital to successfully complete the first phase of our Center, and we appreciate the Subcommittee's personal interest and support.

During our testimony this afternoon, we wish to give you a progress report on Children's National Medical Center's stewardship of the resources which Congress has provided, to date; to let you know of the major strides we have made in attracting private support for the Center through our capital campaign; and to ask the Subcommittee's continued support for the completion of the funding for the National Child Protection, Trauma and Research Center in FY 1995.

Mr. Chairman, given this Subcommittee's oversight of federal agencies, and the Subcommittee's interest in national models which can be replicated throughout the

Department of Pediatrics
The George Washington University
Medical Center

country, we would like to focus our testimony on the national identity of Children's Hospital, and the demonstration components of the National Child Protection Center which we seek to establish. We also wish to summarize the national leadership role which Children's National Medical Center has taken in establishing standards, guidelines, protocols and systems for pediatric care and treatment.

We at Children's Hospital are very proud of the services and advocacy the hospital provides, and the contribution we make to policy-making on the national level by virtue of the fact that we are located in the heart of the nation's capital. Children's Hospital serves a great number of patients whose parents work for the Federal Government. In 1991, the hospital recorded a total of 33,620 visits by children of federal employees. Further, through its affiliations with Walter Reed Army Medical Center and Bethesda Naval Medical Center, Children's serves as a major regional source of training for military physicians, nurses, technologists, therapists and other allied health professionals.

A number of our professionals serve on advisory boards and contribute to the shaping of national policy through frequent testimony before the Congress, and through active participation in the national health care debate. Some of the advisory panels on which hospital personnel serve include the Mayor's Advisory Board on Maternal and Infant Health, the Pulmonary Drugs Committee of the Food and Drug Administration, NIH's National Institute of Allergy and Infectious Diseases, the Mayor's Advisory Board of the National Study Center for Trauma and Emergency Medical Systems, the National Symposium on Child Victimization and the Mayor's Committee on Child Abuse and Neglect.

As a national medical center, Children's has a number of unique distinctions and programs which have served as models for replication throughout the nation. Children's is the largest pediatric, hospital-based program in the nation for treatment of young victims of physical abuse, sexual abuse and neglect. We are one of only two centers in the country designated as an Emergency Medical Service for Children's National Resource Center. Children's currently assists each state's Emergency Medical Service to mobilize a system of care for acutely ill and injured children.

Children's is the clinical consultant to the National Institutes of Health (NIH) for pediatric patients -- the only pediatric institution in the country to provide this service. Children's also conducts the only pediatric paramedic training program in the country. The National SAFE KIDS Campaign was developed at Children's National Medical Center -- the first and only national initiative to reduce the number of preventable childhood accidents and injuries. Children's offers one of only two training programs in the nation for Neonatology/ECMO (Extracorporeal Membrane Oxygenation Program) -- an intensive care/heart-lung system for prolonged support of infants otherwise dying of heart and lung failure.

Children's National Medical Center played a major role in the preparation of the recent Institute of Medicine report on "Emergency Medical Services for Children". For years, Children's has recognized the national and regional need to continue to evaluate current systems and procedures related to emergency medical care for children. Children's has recently collaborated with the Department of Defense to help develop pediatric quality assurance criteria for children who are military dependents referred by area military treatment facilities.

As we continue to move forward with our "National Child Protection, Trauma and Research Center" for victimized children, we are very aware that preventing child victimization and injury requires more than case-by-case treatment and even more than class-by-class education. Working on systems, struggling with contextual issues, taking part in the formation of governmental policies -- all are part of the work of advocacy in which staff at Children's Hospital will participate. There is a critical national need to establish standards, guidelines and systems for child protection. Children's National Medical Center stands ready to serve this important national need.

As you are aware, key components of the National Child Protection, Trauma and Research Center include child abuse prevention and protection, trauma emergency medical care, pediatric AIDS/HIV treatment, substance abuse and critical care. Our national center will include several model systems worthy of replication in other hospitals and medical centers throughout the nation. These include:

* A model information system, including a register for victimization reports from all District of Columbia, Maryland and Virginia hospitals, to facilitate identification and articulation of abused children's needs;

* Prevention programs and techniques geared to stemming the rising tide of drug and alcohol abuse among adolescents; and innovative models for service delivery to high-risk mothers;

* Intensified advocacy and public awareness programs for the prevention of injury and maltreatment.

* Enhancement of trauma response capabilities and the expansion of existing efforts to evaluate current systems and procedures related to emergency medical care for children and develop models for pediatric emergency services.

Through its pilot program in child protection, Children's National Medical Center will address in a comprehensive way the root causes of child victimization and will make recommendations for health care providers regionally and nationally. Children's is especially pleased to continue its national leadership role in pediatric emergency medical

services through the auspices of the new Center. Each year, an estimated 600,000 children are hospitalized because of injuries, and almost 16 million more are treated in emergency departments. Unless these children are taken directly to a state-of-the-art pediatric hospital or one geared to pediatric emergencies, the outcome of their care and diagnosis is questionable. Every day, some of America's children die, or remain in critical condition, because they are taken to the wrong hospital, treated with improper equipment, given wrong dosages of medications or not diagnosed properly.

Children can no longer be treated as miniature adults. Recognizing and treating a child in shock illustrates crucial differences in procedures and protocols between emergency pediatric care and adult care. Yet, current estimates indicate that only 1 in 5 practicing pediatricians know how to perform some of these procedures. During their training after medical school, most pediatricians get little instruction in emergency care, and most emergency care doctors have had limited training relative to treating children. Children's National Medical Center can make a significant contribution to the nation in the development of new protocols and quality assurance criteria through the establishment of the National Child Protection, Trauma and Research Center.

As Children's National Medical Center proceeds with its plans for the new Center, it is supported by a wide range of endorsements from the local community. A good barometer for the level of the wider community's commitment to the National Child Protection Center is found in the results of the first phase of the hospital's capital campaign. Children's capital campaign is under the leadership of Ben Bradlee and Sally Quinn. The Bradlees are joined in this effort by a steering committee of 18 community and business leaders who are actively soliciting major gifts for the campaign.

I am pleased to report that private contributions, which will finance 60 percent of the Child Protection Center initiative, totaled $19,003,816.00 in cash and pledges as of March 1, 1993. Income, to date, totals $8,868,680.00. These funds have been designated to assist with the construction and equipping of the National Child Protection Center.

Children's National Medical Center is further pleased to report that the first phase of construction and renovation for the National Child Protection Center is underway with one new floor intended to house the Center's research activities nearing completion. The balance of the Center's activities will be housed in a new east wing addition and in renovated existing space. The Certificate of Need has been approved; zoning approvals have been received; and initial construction documents can be completed in short order. Actual new construction could be underway within approximately sixty days if we are able to obtain the necessary remaining resources.

Mr. Chairman, I think you will agree that Children's has made substantial progress in the last three years, and has been a judicious steward of the funding which Congress has provided for the Center, to date. Children's National Medical Center is ready now to complete the construction of the Center, and thereby make the resources

of the National Child Protection Center more immediately in reach of the national community we serve. In order to do this, we rely on the continued support of the Subcommittee on Treasury, Postal Service and General Government, and respectfully ask your consideration of FY 1995 funding support towards the remaining $12 million of the federal partnership.

In conclusion, I want to thank you, Mr. Chairman, for your leadership, support and continued interest in improving national and regional health care systems geared to child protection. We especially thank you for your consistent support of Children's National Medical Center. Your support in the past has helped us to be a truly national Center, and we are confident that the National Child Protection Center will make a significant contribution on a national level. Children's National Medical Center remains committed to the cause of victimized children, and to radically improving the standard of health and well-being for all children and families throughout this country.

Thank you again for your time and consideration.

QUESTIONS FOR THE RECORD

TREASURY, POSTAL SERVICE AND GENERAL GOVERNMENT
SUBCOMMITTEE
HOUSE COMMITTEE ON APPROPRIATIONS

APRIL 29, 1994

1. **What organization would be the recipient of the Federal funds requested?**

Children's National Medical Center, located in the District of Columbia, would be the recipient of the Federal funds requested.

2. **How much money are you requesting from this subcommittee for FY 1995?**

Children's National Medical Center is requesting $12 million through a federal funding partnership in FY 1995 to complete the project. Given current budget constraints, we will appreciate your consideration of a portion of the remaining $12 million of the partnership that is deemed appropriate by the Subcommittee. To date, Children's has received approximately $7.75 million from Congress through the Treasury, Postal Service and General Government Subcommittee and the District of Columbia Appropriations Subcommittee. Children's is seeking a similar partnership in FY 1995 beween the Treasury, Postal Service and General Government Appropriations Subcommittee and other Appropriations Subcommittees with jurisdiction.

3. **What would these funds be used for?**

Federal funds will be dedicated to the construction and equipping of the "National Child Protection, Trauma and Research Center" at Children's Hospital.

4. **What is the Federal purpose of the specific project for which this organization is requesting funds from the Subcommittee?**

Continued federal funding for the completion of the "National Child Protection, Trauma and Research Center" at Children's National Medical Center will enable CNMC to serve as a national demonstration model of a comprehensive center focused on combatting child victimization in five key problem areas -- child abuse prevention and protection; trauma emergency care; pediatric AIDS/HIV program; substance abuse and critical care.

The Center's emphasis on prevention programs and on research geared to prevention could significantly assist in reducing the federal dollars currently being spent on care and treatment of victimized children. Through this pilot program, CNMC will make recommendations to health care providers regionally and nationally in response to recent studies on child victimization mandated by the U.S. Department of Health and Human Services.

The Center will incorporate a number of unique, demonstration programs to be replicated throughout the nation including a national demonstration model for surveillance of pediatric HIV infection; a model information system including a register for victimization reports from all DC, Maryland and Virginia hospitals to facilitate identification and articulation of abused childrens' needs.

5. **What will be the ongoing Federal operations at the facility or program involved once it is operational?**

Children's National Medical Center is seeking federal funding to facilitate its current construction needs and related costs for the establishment of the "National Child Protection, Trauma and Research Center." We are not requesting operating funds from the Subcommittee at this time as operating funds are expected to come from patient revenues, third parties, gifts and grants.

6. **Are you requesting any funds for non-construction purposes?**

Children's National Medical Center is primarily seeking construction funds from the Treasury, Postal Service and General Government Subcommittee, with some assistance sought for related equipment needs.

7. **What is the total expected cost of the project?**

The total expected cost of the project is estimated at $58 million.

8. **How much state, local, or private funds will be used for the project?**

Children's National Medical Center believes strongly in matching funds for every federal dollar which we seek. Private contributions, which will finance 60 percent of the Child Protection Center initiative, totaled $25 million in cash and pledges as of January, 1994. These funds have been designated to assist with the construction and equipping of the components of the National Child Protection Center.

9. **For FY 1994, what is the total amount of Federal funds that this organization received, and what activities were funded by these amounts?**

Children's National Medical Center did not receive any federal funding in FY 1994.

10. **Has the project received Federal funds in the past? In what fiscal years were those funds received, and how much?**

In FY 1991, Children's National Medical Center received $1,750,000 through the Treasury, Postal Service and General Government Appropriations Act for the purpose of constructing a National Child Protection, Trauma and Research Center. Children's National Medical Center also received $3 million in FY 1991 through the District of Columbia Appropriations Act, and an additional $3 million in FY 1992 through the District of Columbia Appropriations Act. Congress, to date, has provided a total of $7.75 million for the first phase of this initiative.

11. **Are you seeking funds this year from any other Federal source, or any other Subcommittee?**

Children's National Medical Center is seeking FY 1995 funding from the Treasury, Postal Service and General Government Subcommittee. As it has done successfully in the past, Children's is working to develop a partnership between the Treasury, Postal Service Subcommittee and other Subcommittees with jurisdiction in order to bring this project to completion in FY 1995.

12. **Will you be seeking additional funds from this Subcommittee or any other Appropriations Subcommittee in the future?**

It is our intent to seek the total remainder of the federal partnership in the amount of $12 million during FY 1995. If we succeed in this goal, we will be able to bring this initiative to completion in FY 1995.

13. **Is your organization currently represented by any individuals, law firm, lobbying firm, or other organization for the purpose of obtaining Federal funds?**

Children's National Medical Center employs a number of consultants to represent the hospital on a variety of issues and concerns. Children's National Medical Center currently retains government relations consultants who are responsible to develop a strategic plan for the hospital's long-range capital development and research goals.

Mr. MALSON. Thank you very much, Mr. Chairman.

Given the subcommittee's oversight of Federal agencies and the subcommittee's interest in the national models which can be replicated throughout the country, we would like to focus our testimony on the national identity of Children's Hospital and the demonstration components of the National Child Protection Trauma and Research Center which we seek to establish.

We also wish to summarize the national leadership role which Children's has taken in establishing standards, guidelines, protocols and systems for pediatric care and treatment. We at Children's are very proud of the services and advocacy that the hospital provides and the contribution we make to policy making on the national level by virtue of the fact that we are located in the heart of the Nation's capital.

A few quick facts about Children's in this regard. Through our hospital's affiliations with Walter Reed Army Medical Center and the Bethesda National—Bethesda Naval Medical Center, Children's serves as a major regional source of training for military physicians, nurses, technologists, therapists and other allied health professionals.

Children's also has a number of unique distinctions and programs which have served as models for replication throughout the Nation. Children's is the largest pediatric hospital based program in the Nation for treatment of victims of physical abuse, sexual abuse, and neglect.

Children's is one of only two centers in the country designated as an emergency medical service for the Children's National Resource Center. Children's currently assists each State emergency medical service to mobilize a system of care for acutely ill and injured children.

Mr. Chairman, I mention these unique distinctions because Children's is prepared to continue its national leadership role throughout the auspices of the National Child Protection Trauma and Research Demonstration Center, which we are here to testify about.

The Center will contain a number of model initiatives which can be replicated in other hospitals and medical centers throughout the country. I would like to stop here for a few moments and introduce Dr. Marty Eichelberger who has been instrumental in establishing several of the national programs I have just highlighted.

Dr. Eichelberger will describe the model components of our proposed demonstration center and would also focus on the critical national need to establish standards, guidelines, and systems for child protection.

Dr. Eichelberger.

Mr. EICHELBERGER. Thank you very much, Mr. Chairman.

Mr. HOYER. Doctor, welcome.

Mr. EICHELBERGER. Thank you. Gentlemen, appreciate the opportunity to come and speak with you this afternoon and just to try to communicate to you the reality of the challenge that many children face throughout the United States today, and it is very clear that on—we have an opportunity to provide models of care that will improve their plight long term and really protect and enhance their potential for the future as our national resource.

The Emergency Services for Children is a concept that has been identified by the Institute of Medicine, has a lengthy description of the needs of that, which is to provide children preventive care all the way through rehabilitation. Many times we can keep these children from succumbing to death from their injuries, abuse, in essence as victims of our society, and yet we have to make sure that they are rehabilitated and brought back into the community.

After traveling all over the United States and having colleagues from physician backgrounds, nursing backgrounds, administrative backgrounds, come to Children's Hospital to seek out solutions, it is very clear that these models are necessary.

You may not know this, but the leading cause of death in childhood today is preventable injury. It is something that we can do something about, and with Federal investment, there would be almost immediate payback in savings, billions of dollars of savings. Yet, to do this is going to take a strategy that is going to network through all the States, recognizing the independence and the uniqueness of each State, as well as taking advantage of all the strengths of each of those groups of people who already are on the forefront of solving these problems.

The Children's National Medical Center, I think, is in a position, because of its location, the types of individuals that we treat and the opportunity to articulate and communicate the solutions to these problems throughout the United States, to be able to provide models of care that are reasonable and that are cost-effective, at the same time utilizing the best that we have to offer in every area of the country.

We are doing that now, in the whole area of injury prevention through the National Safe Kids Campaign, and one of the victims that we continue to have difficulty with are those youngsters that are born premature, mothers that are drug addicted, as well as mothers that unfortunately have AIDS when they deliver these children. These are real problems that we have to come up with some kind of real practical effective solution.

As a physician, parent, and also as a member of the community, the help that you have provided us in the past has really enhanced our ability to really reach out into the community in many different ways.

I would just like to encourage you to give the Child Protection Trauma and Research Center continued consideration because I think this is going to have a tremendous impact over the years.

We didn't start thinking about tobacco being a major health care issue until just last year. It started 25, 30 years ago, and what we need to do is to continue to enhance the idea that there is something we can do to protect our children and then to start out in a very step-wise, methodical way to make sure that these things happen.

I appreciate Mr. Malson asking me to come with him today. I think he might give you a little bit better view in how we stand on our ability to put this Center together.

Mr. MALSON. Thank you, Mr. Dr. Eichelberger.

Mr. Chairman, other members of the subcommittee, I am pleased to report the first phase of our capital private contributions campaign which will finance over 60 percent of the project that we

have as of March of 1994, just passed my 50th birthday this month, so I am getting the 94's and 54's confused.

Mr. LIGHTFOOT. It gets worse.

Mr. MALSON. Let the record reflect that I didn't make that comment, Mr. Chairman. As of this year, we have passed over $25 million of our $40 million goal in private contributions and pledges. These funds have been designated to assist the construction and equipping of the National Child Protection Trauma and Research Center.

Children's Hospital is further pleased to report that as of last year, 1992, the first phase of construction and renovation of the Center is well under way and one new floor intended to house the Center's research activities is almost completed.

Mr. Chairman, Children's has made substantial progress in the last three years and has been a judicious steward of the funding which Congress has provided to the Center to date and we are very much appreciative of the funds that have already been provided. The hospital is ready now to complete the construction of the Center and hereby—and thereby make its resources more readily available to the national community we serve.

Thank you again for your consideration and assistance, Mr. Chairman. We would be happy to answer any questions that you or Members of the subcommittee might have.

Mr. HOYER. Thank you very much, Mr. Nelson, and Dr. Eichelberger. Again, the Chair has been very impressed with the work that you two do, and what Children's does generally for our community. It is clearly one of the leading children's centers in America, and indeed in the world.

The work that you do is outstanding. I appreciate your coming before us and testifying.

Got any questions?

Mr. VISCLOSKY. Doctor, I appreciate your commitment.

Mr. EICHELBERGER. Yes, sir.

Mr. LIGHTFOOT. Mr. Chairman, I would just say that my introduction to Children's was somewhat unique in that when I first came out here in 1985, one of our former colleagues, John Paul Hammerschmidt from Arkansas, we were talking one day and I was in the broadcasting business before I failed the sanity test and got this job, and we were talking about various radio stations. I was describing the one I worked for, and he said, WMAL is quite similar to that here, with the old Harding and Weaver crew, which they do a great job raising money for you folks and they continue to do that.

I see you say 60 percent of the money is from private contributions. The hospital overall, how much of that is raised out of the private sector, your operating expenses?

Mr. MALSON. I would need to actually do some research on that, Mr. Chairman. As you know, given the nature of health care reform, particularly in the District of Columbia, with the complex health care system we have here—the chairman knows. The other two members whom I have not met before might not know, that I spent five years as the senior policy adviser to the District of Columbia's Department of Human Services and used to speak of the good news. The good news is that is also in my past as rewarding

as it may have been, the situation has just deteriorated so much in the last 10 years since I have gotten away from that line of work.

We desperately need health care reform. All of the hospitals in this city, without exception, provide a substantial amount of uncompensated care to the citizens of this city and in the old days, when I was with the Department of Human Services, it was a lot easier for hospitals to cross-subsidize their needs from those of us who were fortunate enough to have insurance and have third-party payers assist us in our family's problems to help offset the cost of those who were not so fortunate.

Given the restrictions that have been imposed in recent years, cross-subsidization opportunities are no longer what they were and are just being really constricted. I will make sure that we give you a precise answer to your question forthwith, and I just apologize that I don't have that information with me.

Mr. LIGHTFOOT. I would assume it is a reasonable or sizable portion of your——

Mr. MALSON. Well, on a percentage basis, Children's raises more money in the community than any other hospital in this community on a pro rata basis. We are fortunate that we do have—folks like Harding and Weaver and many of the other community volunteers who assist us in that, but it is not enough.

Our emergency rooms are constantly overflowing. More and more people use emergency rooms as primary care facilities, not what they were designed for, and the situation is tough all around. So this whole business of trying to get the trauma center available, not so much as a direct service provider for the District of Columbia, but as a model for application throughout the country, is really the heart of our testimony this afternoon and really why we are here.

Mr. HOYER. Again, we thank you very much for being here and we will carefully review the request. Thank you very much. Appreciate it.

Mr. MALSON. Thank you very much. Thank you, gentlemen.

WEDNESDAY, MARCH 23, 1994.

CENTER FOR DISEASE PREVENTION

WITNESS

WILLIAM A. POLF, VICE PRESIDENT, EXTERNAL RELATIONS

Mr. HOYER. Next we have Dr. William Polf; is that the way you pronounce it?

Mr. POLF. Yes.

Mr. HOYER. He is representing the Center for Disease Prevention at Columbia University. We will include your statement in full in the record at this time and you can excerpt it as you see fit.

Mr. POLF. Thank you very much. Chairman Hoyer and Members of the subcommittee, it is an honor to appear before you once again to report on progress on the Center for Disease Prevention at the Health Sciences Division of Columbia University in New York City.

Dr. Pardes regrets that a prior commitment keeps him from appearing before you today and he has asked me to offer this testimony to the subcommittee.

The Center for Disease Prevention is now in its third year of development in design relocations and site preparation under way. An initial planning grant from this subcommittee enabled the Center to become a reality. You have our thanks and the thanks of all Americans who will benefit from the project.

The Center for Disease Prevention is a principal component of the Audubon Biomedical Science and Technology Park, a Columbia University project designed to bring science from the bench to the bedside in the form of innovative new diagnostics and treatments for a host of illnesses and medically disabling conditions.

Columbia's research leadership will make this happen. Just this past year, Columbia scientists participated in the discovery of the gene for Huntington's disease, the disease that led to the death of the folksinger Woody Guthrie. Another Columbia scientist made a discovery that could underlie the development of an antidote to the addictive qualities of cocaine, which provide a basis for treating this most addictive of addictive drugs.

Construction of the first facility in Audubon is under way and will be completed early in 1995. Completion of the Center for Disease Prevention, the second building, is scheduled for 1997. Audubon is a partnership of Columbia with the city, State and Federal Government. To date, more than $70 million has been committed from these sources.

I am pleased to announce today a major private gift to the Center for Disease Prevention from the Fairchild Foundation raising that total to more than $80 million. Audubon and the Center for Disease Prevention are models of how public financial support in conjunction with university resources and private donations can help rebuild America's economic strength in the ever more important areas of biotechnology and biomedical research.

The overall Audubon project, including the Center for Disease Prevention, will create more than 2,500 new American jobs when the complex is fully developed. The new businesses and commercial applications that flow from Audubon and the Center will increase American competitiveness in an increasingly high tech world economy.

We continue to appeal to this subcommittee for support because of the mission of the General Services Administration. The GSA's mandate includes the Federal Government's responsibility for building design and construction. The GSA will have a continuing interest in the project development of this Center and the larger Audubon Research Park. In the past, GSA has engaged in demonstration projects which have helped to establish the overall standards of construction and organization of initiatives such as this one.

We believe that the type of multifaceted research park being constructed by Columbia University will set a standard for industry, academic, local, State and Federal Government cooperation. The Center for Disease Prevention is under way. Columbia requests $10 million in additional support in fiscal 1995 to continue progress on

this vital project that had its birth in the support initially provided by this committee.

Thank you for the opportunity to testify and I will be happy to answer any questions.

[The prepared statement and answers to questions submitted for the record follows:]

TESTIMONY OF

DR. WILLIAM A. POLF

CENTER FOR DISEASE PREVENTION

COLUMBIA UNIVERSITY

BEFORE THE

HOUSE APPROPRIATIONS SUBCOMMITTEE ON TREASURY,

POSTAL SERVICE AND GENERAL GOVERNMENT

MARCH 23, 1994

Chairman Hoyer and distinguished Members of the Subcommittee, I am pleased to appear before you today representing Columbia University to tell you about progress on the Center for Disease Prevention, a project that will expand our knowledge of the underlying causes of diseases to enable us to develop more advanced treatments for them. Dr. Pardes, Vice President for Health Sciences and Dean of the Faculty of Medicine, regrets that he is unable to be with you today and has asked me to offer these comments in his place.

The Center for Disease Prevention will add to the nation's biomedical research capabilities and will help keep our knowledge of disease origination, formation and progress. Columbia's Health Sciences Division at the Columbia-Presbyterian Medical Center is one of the world's leading centers of biomedical research. During this past year alone, scientists at Columbia have participated in the discovery of the genetic location of Huntington's disease, the condition that led to the death of the folksinger Woody Guthrie, which will help identify people at risk of developing Huntington's and is the breakthrough researchers need to continue work on finding a possible cure. Another Columbia scientist discovered a possible antidote to the addictive qualities of cocaine, which provide a basis for treating this most addictive of addictive drugs. I could list other similar achievements in the past year alone that are helping to advance the frontiers of medical science to eventually help people who suffer and need medical treatment. The Center for Disease Prevention will expand research of this character, including research in the environmental causes of disease, infectious disease, immunology and genetics.

The Center will also be a key component of Columbia's Audubon Biomedical Science and Technology Park, which will facilitate the transfer of new science from the bench to the bedside, as the most innovative new techniques of biotechnology are transformed into new medical treatments and diagnostics. Audubon will bring academic and commercial science closer together, as industry works closely with our scientists and new businesses spin off from Columbia research and the research of our peers in New York and throughout the nation. The first Audubon facility is already under construction and will be finished early next year. The Center for Disease Prevention--which is the first academic facility and the second facility in Audubon--will begin construction later this year.

The City of New York, the State of New York, and the Federal Government are financial partners with Columbia in the development of the Audubon Park, which is a major engine of economic development in New York City and a major program to keep American industry in the forefront of biotechnology. Nearly $70 million has been in vested to date from city, state, federal and university sources. Columbia also just received a $10 million private grant from the Fairchild Foundation for the Center for Disease Prevention, raising that total to $80 million. When fully completed, the Audubon Park will create at least 2,500 new jobs in New York City and will expand the nation's pool of the most advanced scientific resources to help the development of the biotechnology industry. The Center for Disease Prevention alone will create 400 to 500 new jobs. Audubon and the Center for Disease Prevention will help in the development of exactly the kind of high tech, advanced-skill, science-based industry that the President, the Vice President, and Members of Congress such

as yourself and the Members of this Subcommittee are supporting to rebuild America's industrial strength and create jobs for the Americans of this and coming generations.

We continue to appeal to this Subcommittee for support because of the mission of the General Services Administration (GSA). The GSA's mandate includes the federal government's responsibility for building design and construction. The GSA will have a continuing interest in the project development of the Center and the larger Audubon Research Park. In the past, the GSA has engaged in demonstration projects which have helped to establish the overall standards of construction and organization of initiatives such as this one. We believe that the type of multifaceted research park being constructed by Columbia University will set a standard for industry, academic, local, state and federal government cooperation.

As you know, in FY 91, this Subcommittee provided an initial grant to Columbia University for the Center for Disease Prevention. That grant, through the GSA's Federal Building Fund, enabled Columbia to begin construction of the Center.

We seek the support of this Subcommittee to provide another $10 million in FY 95 for the Center for Disease Prevention, so that the Center and the whole Audubon Park project can continue to be developed. If provided, that support can be a major factor in bringing the Center to a new state of development, so that the many health and economic benefits it will provide will reach Americans even sooner. On behalf of Columbia, the City and State of New York, and all Americans who will benefit, I respectfully request that support be included in your Subcommittee's appropriation report for inclusion in the Appropriations Committee's legislation.

Thank you for this opportunity to appear on behalf of the Center for Disease Prevention.

Columbia University in the City of New York | *New York, N.Y. 10027*

April 29, 1994

Ms. Jennifer Mummert
Administrative Aide
Subcommittee on Treasury, Postal Service
and General Government
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515-6028

Dear Ms. Mummert:

Listed below are my responses to questions posed during my testimony before the House Subcommittee on Treasury, Postal Service and General Government on March 23, 1994.

1. What organization would be the recipient of the Federal funds requested?

   Columbia University

2. How much money are you requesting from this Subcommittee for FY 1995?

   $10 million

3. What would these funds be used for?

   To continue with Phase II of the University's Audubon Science Park — the Center for Disease Prevention.

4. What is the Federal purpose of the specific project for which this organization is requesting funds from the Subcommittee?

   The purpose of Columbia University's Audubon Science Park — the Center for Disease Prevention is to serve as a model facility which will focus on research, education and training in biomedical research. The federal purpose of this project is to serve as a model for future initiatives that constitute multifaceted research parks. Columbia's Audubon Science Park will set a standard for industry, academic, local, state and federal government cooperation.

Ms. Jennifer Mummert
April 29, 1994
Page Two

5. What will be the ongoing Federal operations at the facility or program involved once it is operational?

The federal government will not have any obligation for the operation of the Center, although federally funded research will almost certainly be conducted there. There will be training programs and educational services which, in the future, would certainly be available to federal agencies and employees, as enrolled students or potential faculty, but the university does not envision requesting operating funds for the Center.

6. Are you requesting any funds for non-construction purposes?

No.

7. What is the total expected cost of the project?

The total Audubon Science Park cost is $300 million. The Phase II, Center for Disease Control cost is $66 million.

8. How much state, local or private funds will be used for the project?

Nearly $60 million has been invested to date from city, state and university funds, including a $10 million private foundation grant as well.

9. For FY 1994, what is the total amount of Federal funds that this organization received, and what activities were funded by these amounts?

In FY 1994, the University did not receive any Federal funding for this project.

10. Has the project received Federal funds in the past? In what fiscal years were those funds received, and how much?

Yes. The University received $1 million in FY 1991 in the Treasury Postal Appropriations Bill; $10 million in FY 1993 VA-HUD Appropriations Bill.

11. Are you seeking funds this year from any other Federal source, or any other Subcommittee?

Yes.

Ms. Jennifer Mummert
April 29, 1994
Page Three

12. Will you be seeking additional funds from this Subcommittee or any other Appropriations Subcommittee in the future?

Yes. We will be seeking funding for construction purposes from this Subcommittee in the future, and we will continue to seek additional funding through the VA-HUD Appropriations Subcommittee.

13. Is your organization currently represented by any individuals, law firm, lobbying firm, or other organization for the purpose of obtaining Federal funds?

Yes, in addition to other services, we have retained a firm to assist Columbia University in dealing with the complex Executive and Legislative Branch activities.

If I can provide any further information please let me know.

Sincerely,

William A. Polf, Ph.D.
Vice President for External Relations

Mr. HOYER. Doctor, how much was that original grant, do you know? Do you recall?

Mr. POLF. It was a $1 million planning grant, yes.

Mr. HOYER. I have not mentioned to the others, and don't pick on you particularly, so I don't want you to take this personally from Columbia's standpoint, but I will say it for everybody in the room.

As you know, for the first time since I have been in Congress, the budget as both submitted by the President and as passed by this House, provides for a decline in discretionary spending availability in real dollars. Not just a decline in the nominal, but real dollars.

As a result, the funds available to this committee are, unfortunately, very limited. You indicated this is a 1991 grant, we have given—we have included very, very few non-Federal project grants within our bill. That doesn't mean we won't do it. We haven't decided to do them never again. But that is to say, I say this for you and others, that we are extremely limited in our funds. So it is going to be tough to fund these are all worthwhile projects.

This is an excellent project. Obviously the committee felt so. Children's Hospital, I am very strongly in favor of. The previous hospital that Congressman McHale—I am sure Mr. Visclosky and Mr. Lightfoot have compelling cases in their own districts, but we will give it careful consideration to this request and thank you for being with us.

Mr. POLF. If I might comment on that briefly, that we do understand the stringency, and coming from the State and city of New York, of course, we have similar problems there. One of the great virtues of this project is that it has been the multi—or the number of sources from which we have received funding that has enabled it to go forward, and so Federal funds of course help us get State, local and private gifts as I indicated, so we do very much appreciate what you have been able to do for us.

Mr. HOYER. Thank you, Doctor. We appreciate it.

WEDNESDAY, MARCH 23, 1994.

NONPROFIT MAILERS FEDERATION AND ALLIANCE OF NONPROFIT MAILERS

WITNESSES

JOAN PATTERSON, NONPROFIT MAILERS FEDERATION
LEE CASSIDY, EXECUTIVE DIRECTOR, NONPROFIT MAILERS FEDERATION
NEAL DENTON, EXECUTIVE DIRECTOR, ALLIANCE OF NONPROFIT MAILERS

Mr. HOYER. We are going to put the next group together as a panel if that is all right. Why don't we start from my left to right. We have one, two, three, four, five chairs. I think we have—we have four people. Neal Denton with the Alliance of Nonprofit Mailers, I am going to ask to come up with the Nonprofit Mailers Federation. If you will also come up, Lee Cassidy and of course particularly Joan Patterson, my good buddy, who is wearing her Maryland colors today.

Ms. PATTERSON. We are excited at the University of Maryland.

Mr. HOYER. I don't know whether there is anybody from Michigan in the room. Maryland is going to beat Michigan on Friday. We don't have anybody from Michigan on the subcommittee so I am at least safe from my committee members. We are pleased to have you here.

Mr. VISCLOSKY. Mr. Chairman, I would want to use this as an opportunity to congratulate Maryland.

Mr. HOYER. Thank you very much.

Ms. PATTERSON. Thank you very much. I will take that back. The team is meeting this afternoon. We are having a pep rally.

Mr. HOYER. She has been very active in the University of Maryland, alumni affairs, and she and I have been close friends for longer than she wants me to mention, and longer than I want to mention. Pleased to have you.

Ms. Patterson, we will be glad to hear from you.

Ms. PATTERSON. You want me to go first?

Mr. HOYER. Why don't you go first seeing as how I have extolled your virtues. We will start with you.

Ms. PATTERSON. Thank you, Mr. Chairman. Thank you for the opportunity to present this testimony.

As you indicated, I am Joan Patterson and I am the Acting Director of the University of Maryland at College Park Alumni Association. But I appear today on behalf of the Nonprofit Mailers Federation which is a coalition of 400 nonprofit organizations who use nonprofit mail to communicate with members, contributors, and others.

Federation members include charities, colleges, universities, and of course their alumni associations, museums, religious organizations, including publishers, churches and other ministries, hospitals and medical schools, and other groups.

With me today is Lee Cassidy, who is the Executive Director of the Federation. We of course at the University of Maryland, which I will give a tit for a tat, count you as one of our most distinguished alumni, a fact of which we are justifiably proud.

My statement this afternoon will be brief. I have filed extended written comments with the subcommittee staff.

Mr. Chairman, with your help and that of many other Members of Congress, the nonprofit community saw a significant piece of legislation pass in the last session. The Revenue Forgone Reform Act was included in H.R. 2403, part of which originated in this subcommittee.

Reform of revenue forgone has been a critical issue for all nonprofits over the last several years. When it became impossible for Congress to fully fund this account, we faced the possibility of huge rate increases. The reform legislation crafted a compromise that kept our rates from increasing too much or too fast, gives the Post Office—or the Postal Service the money they deserve and spreads the pain among all mailers.

One provision of the legislation authorizes an annual appropriation of $29 million to the Postal Service to compensate them for amounts not appropriated from 1990 to 1993 and shortfalls over the next five years.

While the $29 million is not a significant percentage of the appropriations this subcommittee is responsible for, it is money the Postal Service needs and deserves. It represents a single annual payment on a bill which totals more than $1.2 billion over a 42-year period, but it also presents this subcommittee with an opportunity to oversee the Postal Service on a continuing basis and it is that oversight that brings me here today.

Mr. Chairman, the Postal Service in numerous ways is ignoring, and I emphasize, the expressed intent of Congress. My testimony—my prepared testimony documents specific situations in which the Postal Service has ignored specific provisions of the law, ignored, again, the intent of Congress as stated in the conference report, ignored the intent of Congress as stated in extended remarks of managers of legislation, invented standards of eligibility to mail at nonprofit rates that have no statutory or regulatory authorization, made claims that it, rather than this subcommittee, is paying the bill for revenue forgone, and has taken numerous other actions to date that amount to harassing nonprofit mailers.

Mr. Chairman, I hope this subcommittee will carefully review my written statement and assure itself that the Postal Service is not spending the funds that the subcommittee is asked to appropriate in unauthorized ways. We believe they are and ask the subcommittee to take appropriate action.

Thank you.

[The prepared statement follows:]

TESTIMONY OF JOAN PATTERSON BEFORE THE HOUSE APPROPRIATIONS

SUBCOMMITTEE ON TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT

MARCH 23, 1994

Thank you, Mr. Chairman, for the opportunity to present this testimony. I am Joan Patterson, Acting Director of the Alumni Association of the University of Maryland at College Park. I am here today on behalf of the Nonprofit Mailers Federation, a coalition of 400 nonprofit organizations who use nonprofit mail to communicate with members, contributors, and others. Federation members include charities; colleges, universities, and their alumni associations; museums; religious organizations including publishers, churches and other ministries; hospitals and medical schools; and other groups.

The University of Maryland counts you among its many distinguished alumni, a fact of which we are justifiably proud.

Mr. Chairman, with your help and that of many other members of Congress, the nonprofit community saw a significant piece of legislation passed in the last session. The Revenue Forgone Reform Act was Title X of HR 2403, part of which originated in this subcommittee. Reform of revenue forgone has been a critical issue for all nonprofits over the last several years. When it became impossible for Congress to fully fund this account, we faced the possibility of huge rate increases. The reform legislation crafted a compromise that kept our rates from increasing too much or too fast, gives the Postal Service the money they deserve, and spreads the pain among all mailers.

One provision of the legislation authorizes an annual appropriation of $29 million to the Postal Service, to compensate them for amounts not appropriated during 1990 through 1993, and shortfalls over the next five years. While the $29 million is not a significant percentage of the appropriations this subcommittee is responsible for, it is money the Postal Service needs and deserves. It represents a single annual payment on a bill which totals more than $1.2 Billion over a 42 year period. But it also presents this subcommittee with an opportunity to oversee the Postal Service on a continuing basis, and it is that oversight that brings me here today.

Mr. Chairman, the Postal Service in numerous ways is ignoring the expressed intent of Congress.

The following language is quoted from the conference report on HR 2403 last year, a conference in which you participated:

> The managers intend that the Postal Service shall administer these new eligibility reforms in a manner that does not unduly jeopardize continued access to the postal system by reduced rate mailers who are seeking to comply with the new standards.

I will now document several examples of how the Postal Service is ignoring not only that admonition, but specific Congressional intent as expressed in the legislation, in other sections of Title 39, and in remarks of the bill's managers included in the Congressional Record.

First, the Revenue Forgone Reform Act specifically directs the Postal Service that any regulations it writes, under authorization of the Act, which define the term "substantially related",

> shall be consistent with standards established by the Internal Revenue Service and the courts with respect to subsections (a) and (c) of section 513 of the Internal Revenue Code of 1986;... 39 U.S.C. §§3626(j)(1)(D)(ii)(I).

In fact, the definition of "substantially related" proposed by the Postal Service in the regulations published in the Federal Register on December 10 is much more restrictive than the IRS definition.

Secondly, the Act exempted periodical publications mailed at nonprofit third class rates from the requirement that all advertising contained therein be substantially related to a purpose of the organization. Senator DeConcini, floor manager of the bill in the Senate, stated,

> The legislation and that section in particular [new section 3626 (m)(2) of title 39] exempt periodical publications which are sent by third class mail from the "substantially related test".

But the Postal Service regulations published on December 10 contain no such exemption, in clear contravention of Congressional intent.

This lack of compliance with the law and other statements of Congressional intent is so egregious that Chairman Clay of the House Post Office and Civil Service Committee wrote the Postmaster General on March 7, stating that,

> Only after the Postal Service revises its proposed regulations as indicated, will the Postal Service be administering the Revenue Forgone Reform Act as envisioned by Congress.

There are many other examples, as well. In an undated letter earlier this year, the Postal Service's Chicago District Manager of Customer Service and Sales wrote to nonprofit permit holders, as follows:

> Recent legislation involving revenue forgone, the subsidy Congress has historically given to non-profit mailers, has left the postal service (sic) with the bill for non-profit discounts.

Mr. Chairman, that statement is completely false. The Postal Service is absolutely entitled to receive compensation for the difference between the statutory ceiling on nonprofit rates and the cost of transporting nonprofit mail. The only economic issue in the Revenue Forgone controversy over the last two years was not <u>whether</u> the Postal Service would be paid, but <u>how much</u> they are entitled to be paid, by whom, and when.

The reason this subcommittee is asked to appropriate $29 million this year and far into the future is to pay the bill the Postal Service claims it is paying itself.

I must assume that the Chicago District Manager received his directions, and possibly even the exact language, from Postal Service headquarters.

Further on in the aforementioned letter, the Chicago District Manager writes,

> The current discussion in both postal and industry publications regarding this legislation and its impact on non-profit mailers has caused the Postal Service to re-examine eligibility issues. This has resulted in increasing awareness on the part of postal acceptance employees concerning non-profit eligibility, both that of mailers and of the mailpieces.

The clear implication of that paragraph is that "we are now going to get tough on you".

Mr. Chairman, a mailer may be eligible for a permit to mail at nonprofit rates, based on a number of factors. The recent legislation made no changes in those factors. Why, then, is the Postal Service going to "re-examine eligibility issues"? We believe this is yet another example of the Postal Service ignoring expressed Congressional intent, as noted earlier in my testimony:

> The managers intend that the Postal Service shall administer these new eligibility reforms in a manner that <u>does not unduly jeopardize continued access</u> to the postal system by reduced rate mailers who are seeking to comply with the new standards. (emphasis added)

Moreover, while the legislation does narrow eligibility of mailpieces, as noted above, it does so only after final regulations are published by the Postal Service. At this time, there are no new regulations in effect.

We understand that the Postal Service expects to publish final regulations on or about May 1 of this year, with an effective date tentatively set at 90 days thereafter. We wonder why the Postal Service's acceptance employees are questioning eligibility of mailing pieces at this early date, when the new regulations have not even been published.

This is not an isolated example, Mr. Chairman. We have heard of several other situations where nonprofit mailers have been refused permission to mail at nonprofit rates, and were told that the mailpiece does not qualify under the new regulations. But, as pointed out earlier, there are no new regulations published or in effect.

Yet another example, Mr. Chairman, appears in a letter the Postal Service sent to counsel for the American Society for Training and Development (ASTD) in November of 1993. The letter deals with an appeal by ASTD of a ruling by the Chicago Rates and Classification Center affecting advertising materials mailed at nonprofit rates. The Center had ruled that the mailing was an unauthorized cooperative mailing, and therefore not eligible for nonprofit rates.

Without going into the merits of this particular ruling, we are greatly concerned over statements made in the letter that deal with issues going well beyond the ASTD case.

The letter states, "Nevertheless, a mailing might be determined to be cooperative using criteria other than those published in CLASSIFICATION CURRENTS.". If criteria are not published, how are mailers to know what they are, whether they have any basis in law or regulations, or whether they are created on an ad hoc basis?

The letter also states that "it is more of an exception than a rule that paid advertising is permitted in publications mailed at the special bulk rates." While there are some specific exceptions relating to travel, affinity credit cards, and insurance, dating back to 1990, we are unaware of additional restrictions that would, in total, create an exception that is greater than the rule. In this instance, too, we believe the Postal Service exceeds its statutory authorization.

Most troubling in the letter is a statement that appears to establish three criteria which could be used to prohibit any advertising in third class nonprofit mail. The three criteria are: "Each commercial party appears to pay indirectly for printing and postage through payment of fees to ASTD. Each advertiser also is the party which bears the risk of loss and stands to realize any profit from the advertisement, depending on its success. Finally, each advertiser appears to control the content of its advertisement, within the general guidelines established by ASTD."

To our knowledge, the Postal Service has never published those criteria, and it seems unusual for them suddenly to appear and be applied in a specific case. We also have the understandable concern that they could be applied to any advertisement other than a house ad. We are unaware of the basis for the criteria or the statutory authorization for them.

Mr. Chairman, the Nonprofit Mailers Federation raised the questions relating to ASTD with the Postal Service in writing on December 30 of last year -- more than ten weeks ago -- and has yet to receive a reply, though in an earlier telephone conversation the Federation was promised a response in writing.

This testimony could literally go on for hours, Mr. Chairman, because we are aware of so many situations where the Postal Service is taking actions with no known basis in law, or in contravention of the law or other Congressional directive.

We recognize that oversight of the Postal Service properly falls to the Committee on Post Office and Civil Service, and we are sending a copy of the testimony to counsel for that Committee.

But this subcommittee and its parent have a unique obligation and opportunity to assure that the moneys appropriated for the Postal Service are not being spent for unauthorized purposes. We believe they are, Mr. Chairman, and ask this subcommittee to take appropriate action.

Thank you, Mr. Chairman.

Mr. HOYER. Thank you very much. And we will do just that.

Ms. PATTERSON. I think what we are looking for, and we have worked with you before on another issue and worked with John Berry, your very able staff assistant, in another issue a few years ago regarding the Postal Service, and as you well know, as nonprofits, we want to comply, we realize it is not the same ball game anymore, but we want what the Congress intent and how the Post Office is interpreting it to be right on so we don't get in situations where individual postal officials are interpreting "substantially related" and that we are having situations which we have also had out of the Chicago Post Office where they are already enforcing these regulations as though they have already been passed.

We have had situations where nonprofits have had mail stopped already and, here again, we don't want to get into a situation which brought us to you all once before. We need the two groups to agree and then very clear concise documentation about what we can do and cannot do so that when we go to mail these things, we are all in compliance.

Mr. HOYER. We had a hearing this morning. Maybe some of you were in the room when the Postmaster General testified. I am glad I am chairman of the caucus, but we had two items conflicting. I was chairing a caucus meeting on the election of a new chairman—acting chairman of the Appropriations Committee and could not attend the hearing this morning.

I am going to review his testimony and yours. Thank you very much.

Mr. Cassidy, did you want to add anything?

Mr. CASSIDY. No, sir.

Mr. HOYER. Good judgment.

Mr. HOYER. Mr. Denton.

Mr. DENTON. Knowing that my statement will be inserted into the record, I will just really add a couple things onto Ms. Patterson's testimony, which is outstanding and I think covered most of what it is I wanted to say here.

It is sort of nice seeing you and your staff members when we are not here asking for hundreds of millions of dollars. I think we fixed a larger part of the problem last year and revenue foregone will not be a problem for this subcommittee I think again. We still have, as Ms. Patterson points out, some very serious concerns with how the Postal Service is reading the bill that was given to them last year.

I have included in my testimony a letter from Chairman Clay that he sent out a week or so ago to Mr. Runyon saying the same thing, that he is terribly concerned in looking at these, that the Postal Service is taking a wrong turn on drafting these restrictions. We are going to see a final draft of these restrictions, as Mr. Runyon said this morning, very soon. It might be April Fool's Day, which could be appropriate. We will have an idea then as to where the Postal Service has gone with these.

After looking at all of our comments and after looking at Chairman Clay's comments, I hope that there won't be a need for us to come back and ask for your help in this. But as Ms. Patterson points out, you do have a significant oversight now with the Postmaster General on this and I believe especially considering the rev-

enue foregone reform was on the appropriations bill last year, that it might have to be this subcommittee that we return to if these problems aren't ironed out. I hope they are.

[The prepared statement follows:]

ALLIANCE OF
NONPROFIT
MAILERS

President
Mark Silbergeld
Consumers Union of U.S., Inc.
Vice President
Donald Tempel
American Lung Association
Secretary
Joseph D. Steiner
National Easter Seal Society
Executive Director
Neal Denton

STATEMENT OF NEAL DENTON
ALLIANCE OF NONPROFIT MAILERS

BEFORE THE HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE
AND GENERAL GOVERNMENT

MARCH 23, 1994

Good afternoon Mr. Chairman. The last time that I was here, the nonprofit community was facing a one-half billion dollar shortfall in revenue forgone funding -- and a difficult environment in which to negotiate a solution. Thanks to the work of this Committee and your colleagues, we are in much better shape than last year.

My name is Neal Denton and I represent the 130 large, medium and small organizations that are the Alliance of Nonprofit Mailers. I want to take only a very brief moment of your time to share our thoughts on the results of the FY 1994 Appropriations measure and on the current decisions before you in appropriating FY 1995 funds to the USPS.

Recall that last year we came to you holding out the hope that a compromise could be crafted that would rescue preferred postal rates for qualified and worthy nonprofit organizations -- and yet permanently reduce the need for large revenue forgone outlays from this Committee. We asked you to help us to "nudge" others to the bargaining table so that we might hammer out that agreement.

There was a lot of "nudging" on Capitol Hill over this issue last year and the results represent a fair blending of some very diverse interests. With the help of Chairman Clay and others, a compromise was drafted that "split the pain" of transitional costs, reduced the eligibility of what could be mailed at nonprofit rates -- and reduced the revenue forgone figure from $612 million to the less than $100 million that you're addressing this fiscal year.

2001 S STREET N.W. SUITE 301 WASHINGTON D.C. 20009-1125 202-462-5132

One problem remains -- and it's best illustrated by sharing a letter with you that was written earlier this month by Chairman Clay to the Postmaster General. The Chairman's concerns reflect the exact sentiments of the nonprofit community. Without reciting the entire March 7 letter to the Committee here, I can capture the gist by reading three sentences:

> *The Postal Service is currently considering the numerous comments it received concerning the proposed regulations implementing provisions of the Revenue Forgone Reform Act. Many of those who commented contend that the proposed regulations do no comport with the Congressional intent of the Act. The comments are correct. (Emphasis added)*

The Postal Service's first crack at crafting the proposed rules implementing the Revenue Forgone Reform Act were well wide of the mark. While Chairman Clay speaks to two of the larger deviations -- the USPS interpretation of the term, "substantially related", and the treatment of space advertising in church bulletins and other third-class publications, there are other significant shortcomings as well.

The Postal Service will soon be introducing a revised set of restrictions that it will likely call The Final Rule. If Chairman Clay's concerns -- and our fears -- are ignored by the Service, we may have to ask for your intervention yet again. We had hoped that the statements made on the Senate floor last year by Chairman DeConcini and Mr. Bond would aid the Service in their deliberations; and the direction provided by Chairman Clay's letter is unmistakable -- however, the Postal Service seems to have dug in its heels on these issues. It may take some more "nudging" to bring them around.

Now, just a brief word on the $100 million that the USPS has requested for FY 1995. The larger share of those monies provides for free mail to the blind and some overseas voting materials. An additional $29 million is part of the agreement struck last year that reduced the revenue forgone outlays. We hope that you will fully fund this request.

As you well know, the Postal Service has proposed a rate increase for all classes and categories of mailers. While nobody likes rate increases -- this particular proposal is not as large as we have experienced in the past. The Postmaster claims that he can affect significant cost savings that will allow for the smaller rate increase. Considering past arguments promoted by USPS management -- if this Committee were to appropriate anything less than the requested amount, I'm quite sure that the USPS Communications Department will craft a message that will blame Congress for the new 32-cent stamp. We believe that everyone should give the Postmaster General enough rope to affect his changes.

Again, it's always a pleasure to see you and your staff -- especially when I'm not here asking for hundreds of millions of dollars. On behalf of the members of this coalition, we thank you for your help last year -- I hope that the Postal Service grants us a fair set of new regulations so that we won't have to impose upon the committee this year.

One Hundred Third Congress

WILLIAM L. CLAY, MISSOURI, CHAIRMAN

House of Representatives

Committee on Post Office and Civil Service

Washington, DC 20515-6243

Telephone (202) 226-4064

March 7, 1994

The Honorable Marvin Runyon
Postmaster General
United States Postal Service
475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260

Dear Postmaster General Runyon:

The Postal Service is currently considering the numerous comments it received concerning the proposed regulations implementing provisions of the Revenue Forgone Reform Act. Many of those who commented contend that the proposed regulations do not comport with Congressional intent of the Act. The comments are correct. The proposed regulations differ from Congressional intent in two distinct areas.

First, as part of the compromise embodied in the Act, nonprofit third-class mail could not contain advertisements which were not "substantially related" to one or more of the purposes of the nonprofit organization. The law specifically directed that any Postal Service regulations defining the term, "substantially related",

> shall be consistent with standards established by the Internal Revenue Service and the courts with respect to subsections (a) and (c) of section 513 of the Internal Revenue Code of 1986; . . .
> 39 U.S.C. §§3626(j)(1)(D)(ii)(I).

The proposed regulations are much more restrictive that those of the Internal Revenue Service (IRS). Therefore, the Postal Service should revise those regulations to fully comport with the IRS regulations concerning the definition of "substantially related".

Second, the Congress exempted periodical publications which are mailed at nonprofit third-class rates from the requirement that all advertisements be substantially related to a purpose of the organization which is mailing. The Postal Service proposed regulations do not provide for such an exemption because it interprets the exemption to apply only to advertisements about periodical publications not advertisements within those publications. During the Senate debate on this law, Senator DeConcini, who was the floor manager of the bill, stated,

> The legislation and that section in particular exempt periodical publications which are sent by third class mail from the substantially related test. This legislation does not restrict periodical publications, such as church newsletter, from carrying paid advertisements from other businesses. A church newsletter containing an ad for local business would still be eligible for the preferred nonprofit third class rate. 139 Cong. Rec. S14346 (Oct. 26, 1993).

Postal Service regulations should be revised consistent with this expressed Congressional intent.

Only after the Postal Service revises its proposed regulations as indicated, will the Postal Service be administering the Revenue Forgone Reform Act as envisioned by Congress. The Committee expects the Postal Service to fully reflect Congressional intent when implementing the Act. The Postal Service must not use its administrative authority to undermine the provisions of this revenue forgone reform compromise.

Sincerely,

WILLIAM L. CLAY
Chairman

ALLIANCE OF NONPROFIT MAILERS

2001 S STREET, N.W., SUITE 301
WASHINGTON, D.C. 20009-1125
202-462-5132

MEMBERSHIP

As of March 17, 1994

Aerospace America Magazine
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ALSAC-St. Jude Children's Research Hospital
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American Association of Individual Investors
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Jewish Board of Family, Children's Services

Jewish Braille Institute of America, Inc.
Jewish National Fund
Juvenile Diabetes Foundation
Literacy Volunteers of America
Little City Foundation
Loyal Order of Moose
March of Dimes Birth Defects Foundation
Marian Helpers Center
Maryknoll Fathers and Brothers
Mercer University
Michigan Humane Society
Minnesota Public Radio
Missouri Baptist Convention
Missouri State Teachers Association
National Association for the Advancement of Colored People
National Association of College and University Business Officers
National Audubon Society
National Catholic Development Conference
National Center for Nonprofit Boards
National Council of Senior Citizens
National Easter Seal Society
National Forensic League
National Geographic Society
National Grange
National Guard Association of the United States
National Multiple Sclerosis Society
National Parkinson Foundation
National Psoriasis Foundation
National Public Radio
National Rural Electric Cooperative
National Society for Fundraising Executives
National Trust for Historic Preservation
National University Continuing Education Association
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Natural Resources Defense Council
The Navigators
Navy League of the U.S.
New England Journal of Medicine
New York Society of Certified Public Accountants-
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Oregon State University
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Pennsylvania Bar Association
Plainedge Public Library
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Retired Officers Association
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RP Foundation Fighting Blindness
Saint Joseph Corporation - Catholic Diocese of Green Bay
Saint Joseph's Indian School
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Sickle Cell Disease Association of America, Inc.
Sierra Club Legal Defense Fund
Sierra Magazine
Sisters of Providence Health System
Society of American Military Engineers
Society of Automotive Engineers
SPIE - International Society for Optical Engineering
Stuttering Foundation of America
United Service Organizations, Inc. (USO)
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Walter Karl, Inc.
Westvaco Envelope Division

Mr. HOYER. We will look forward to working with everybody to make sure that we have agreement on what ought to be done. We on this subcommittee also agree that what is being done is what we intended to be done.

We appreciate your testimony.

Ms. PATTERSON. Thank you.

Mr. HOYER. Mr. Cassidy obviously made a judgment that he couldn't get a better spokesman than you and he was right. Good to see you, thank you very much.

WEDNESDAY, MARCH 23, 1994.

AMERICAN ASSOCIATION OF RETIRED PERSONS

WITNESS

LUCRETIA PASCHALL, MEMBER, NATIONAL LEGISLATIVE COUNSEL

Mr. HOYER. Ms. Paschall?

Ms. PASCHALL. Right.

Mr. HOYER. We are very pleased to have you here, Ms. Paschall, and we will include your testimony in full at this time and you can proceed in such way as you deem appropriate.

Ms. PASCHALL. Thank you very much, Mr. Chairman.

Good afternoon, Mr. Chairman. On behalf of the American Association of Retired Persons, I thank you for this opportunity to testify concerning appropriations next year regarding tax counseling for the elderly, otherwise known as the TCE program. My name is Lucretia Paschall, a member of AARP's National Legislative Council.

We deeply appreciate the subcommittee's continued support of tax counseling for the elderly, which is targeted to low and moderate income older Americans. Authorized by Congress in 1978, TCE improves taxpayer compliance measurably for the Internal Revenue Service. The program has enabled IRS to assist aged minorities more effectively as well as hard-to-reach taxpayers, such as the rural, elderly and shut-ins, especially those residing in nursing homes or senior citizen housing.

AARP fully realizes that the subcommittee will be operating within a tight budget for fiscal year 1995. Because of this, we recommend that funding for TCE remain next year at its current level of $3.7 million. To the extent additional resources may become available, we would recommend a modest increase of $200,000. This would cover rising operational costs due to inflation.

It would also enable the program to continue participating in cost-effective efforts developed by the Internal Revenue Service. This includes the reduced unnecessary filing or RUF initiative which saved approximately $2 million for the agency in 1992. That year, 1.1 million taxpayers were notified by IRS that they may not have to file a Federal return. Three-fourths of these notices went to taxpayers 61 years of age or older, many of whom sought confirmation from TCE that they would not be required to file a return.

TCE volunteers were also able to identify 27,000 additional taxpayers who qualified for the RUF initiative during the same period.

The value of TCE has been amply demonstrated over the years, and has reflected in growing demand for assistance. A report issued last April by the General Accounting Office indicated that in 1992, TCE accounted for the preparation of more than four times the number of returns prepared at IRS walk-in sites. More than 31,000 volunteers were involved in TCE services at approximately 10,000 sites across the country that year.

In addition, GAO reported a 7 percent mathematical accuracy rate for TCE returns in 1992, which was comparable to or higher than other categories of preparers.

When the program first began, it helped 846,000 elderly taxpayers prepare their tax returns. Currently, over 1.5 million people receive tax counseling annually. The complexities of our Tax Code, including such provisions as those relating to pension benefits, IRA withdrawals and one-time exclusion on sale of a primary residence cause many aged taxpayers particular struggles in computing their tax obligations.

Moreover, many aged citizens are not aware of the changes made in our tax laws over the past few years. The IRS has increasingly turned to TCE programs to provide assistance, in large part because of budgetary constraints that have stretched the ability of the agency to respond directly to numerous public inquiries.

TCE volunteers are also committed to insuring that older taxpayers with dependent children or grandchildren are made aware of their eligibility for the earned income credit. Many older, low income wage earners find themselves responsible for providing care for their dependent children or grandchildren. The earned income credit is an important entitlement for these individuals.

Thank you again for this opportunity to comment on appropriations next year for the Tax Council and for the elderly program.

[The prepared statement follows:]

AARP

Bringing lifetimes of experience and leadership to serve all generations.

STATEMENT

OF

THE AMERICAN ASSOCIATION OF RETIRED PERSONS

ON

TAX COUNSELING FOR THE ELDERLY PROGRAM
FY 1995 APPROPRIATIONS

BEFORE THE

SUBCOMMITTEE ON TREASURY, POSTAL SERVICE AND
GENERAL GOVERNMENT

OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES HOUSE OF REPRESENTATIVES

MARCH 23, 1994

American Association of Retired Persons 601 E Street, N.W. Washington, D.C. 20049 (202) 434-2277
Lovola W. Burgess *President* Horace B. Deets *Executive Director*

On behalf of the American Association of Retired Persons, thank you for this opportunity to testify concerning appropriations next year for the Tax Counseling for the Elderly (TCE) program. My name is Lucretia Paschall, member of AARP's National Legislative Council.

The Association deeply appreciates the Subcommittee's continued support of Tax Counseling for the Elderly, which is targeted to low and moderate income older Americans. Authorized by Congress in 1978, TCE improves taxpayer compliance measurably for the Internal Revenue Service (IRS). The program has enabled IRS to assist aged minorities more effectively as well as hard-to-reach taxpayers such as the rural elderly and shut-ins, especially those residing in nursing homes or senior citizen housing. AARP operates the Tax Aide Program, which is the largest of the TCE programs.

AARP fully realizes that the Subcommittee will be operating within a tight budget for FY 1995. Because of this, we recommend that funding for TCE remain next year at its current $3.7 million level. To the extent additional resources may become available, we would recommend a modest increase of $200,000. This would cover rising operational costs due to inflation and also permit continued volunteer support of IRS automation efforts, such as the 1040PC tax preparation software which condenses tax data to a single "scanable" sheet. This innovation eliminates data entry errors, speeds up returns processing and reduces IRS expenses.

The value of TCE has been amply demonstrated over the years, and is reflected in growing demand for assistance. A report issued last April by the General Accounting Office (GAO) indicates that in 1992, TCE accounted for the preparation of more than four times the number of returns prepared at Internal Revenue Service (IRS) walk-in sites. More than 31,000 volunteers were involved in TCE services at approximately 10,000 sites across the country that year. In addition, GAO reported a 97% mathematical accuracy rate for TCE returns in 1992, which was comparable to or higher than those for other categories of preparers. When the program first began, it helped 846,000 elderly taxpayers prepare their tax returns. Currently, over 1.5 million people receive tax counselling annually. We do not have complete data for the current tax season, but we expect TCE to continue to grow in the future. There are several reasons why this is likely to happen.

First, the elderly population is increasing.

Second, the complexities of our tax code including such provisions as those relating to pension benefits, IRA withdrawals, and one-time exclusion on sale of a primary residence, cause many aged taxpayers particular struggles in computing their tax obligations. Moreover, many aged citizens are not aware of the changes made in our tax laws over the past few years.

Third, the IRS has increasingly turned to TCE programs to provide assistance, in large part because budgetary constraints have stretched the ability of the agency to respond directly to numerous public inquiries.

TCE volunteers are dedicated to the program and are committed to helping others. The people they assist would otherwise be forced to pay a professional consultant as much as $100 to prepare their tax returns -- an exorbitant cost for anyone living on a low or moderate income.

TCE volunteers are also committed to ensuring that older taxpayers with dependent children or grandchildren are made aware of their eligibility for the earned income credit (EIC). Many older low income wage earners find themselves responsible for providing care for their dependent children or grandchildren. EIC is an important entitlement for these individuals.

The TCE program will continue to participate in successful IRS efforts such as the Reduce Unnecessary Filing (RUF) initiative. In 1992, 1.1 million taxpayers were advised by the agency that they may not have to file a Federal return. Data indicate that 75% of the RUF letters were sent to taxpayers 61 years of age or older. Many of these older individuals approached TCE sites in order to receive confirmation that they did not need to file a return that year. Furthermore, TCE volunteers identified 27,000 additional taxpayers who qualified for the RUF initiative. Overall, the IRS estimates that $2 million dollars were saved by IRS promoting -- and TCE confirming -- taxpayer eligibility for the RUF program.

Thank you again for this opportunity to comment on appropriations next year for the Tax Counseling for the Elderly program.

Mr. HOYER. Ms. Paschall, thank you very much for your testimony. The Chair, and I think the committee generally, agrees with you that this is an excellent program and certainly to the extent that we have the funds available, I know we are going to try to provide funds for the modest increase of which you speak.

Ms. PASCHALL. Thank you very much, Mr. Chairman.

Mr. HOYER. Thank you very much.

WEDNESDAY, MARCH 23, 1994.

THE COIN COALITION

WITNESS

JAMES C. BENFIELD, EXECUTIVE DIRECTOR, THE COIN COALITION

Mr. HOYER. Now we will go to the coin coalition, Mr. Benfield.

Mr. Benfield, thank you very much for being with us. We will include your testimony in full in the record at the time and you may proceed in such manner as you deem appropriate.

Mr. BENFIELD. Thank you, Mr. Chairman. My name is Jim Benfield. I am a partner with Bracy Williams & Company and director of the Coin Coalition which is a group of 29 associations and mass transit authorities that supports a new dollar coin.

Mr. Chairman, technology is changing our money—for better and for worse. Computers can instantly transfer funds from my checking account to a grocery store. Real wealth is stored on plastic cards, and high tech reprographic techniques enable terrorists to print $100 counterfeits that look like the real thing. Yet, technology has not found a way to process vast quantities of paper more efficiently than coins.

Mass transit spends $125 million a year straightening and counting $1 bills. Metro wastes about a million dollars a year doing this. Transit systems lose millions more through theft because paper bills are far more difficult to secure than coins. That is a photograph of the Chicago Transit Authority cash room where you see about 30 employees who do nothing else each day. It costs CTA about $4 million a year. Vendors face the same problem in processing, counting, and securing dollar bills. It is very, very expensive and bill accepters on vending machines cost several hundred dollars each, and that cost must eventually be passed on to consumers. Even the Federal Reserve system spends twice as much to process bills as it does coins.

On March 4th, the Mint and BEP testified here about the challenges of increasing production to 17.5 billion coins and 9.3 billion notes in fiscal year 1995. What the BEP didn't emphasize was that 49 perfection of its capacity is $1 bills. What the Mint didn't emphasize was that 80 percent of its capacity is used minting pennies.

Industries that handle large quantities of cash don't want pennies. And they don't want dollar bills. Yet they are flooded with coins and notes that slow commerce and make it more expensive. Because the U.S. Government has not modernized our currency as other countries have, the private sector has started to seek its own solutions, prepaid smart cards. Some are very convenient and some aren't.

Instead of having coins and bills that are legal tender for all debts, consumers soon may have a pocket full of cards, each designed for a specific use. This is a NYNEX telephone card. This is a prototype of a Metro card for parking meters right here in Washington, $50. Here is a vending machine card, so we have a lot of cards in our pockets.

Purchasing these cards could be a hardship for those who cannot afford to have $50 or more tied up in a bunch of cards. I see little evidence from the Treasury Department that there is a unified approach towards providing modern legal tender money. Is anyone at the BEP considering making an electronic smart card legal tender? Is anyone considering the consequences of maintaining the status quo? With all this talk about reinventing government, what I see is a bureaucracy tying itself in knots trying to continue business as usual.

These smart cards will cause a revenue drain at the Treasury. They earn money for the issuer until the value on the card is consumed, much as American Express is earning interest on the $20 I paid for this traveler's check. As long as I hold this, they get the use of my funds.

As more wealth is stored in private sector money, the government will lose some of the 17 to $20 billion a year it earns by providing almost $360 billion in coin and note to the public. Ultimately, the taxpayer will absorb this loss.

Mr. Chairman, at the March 4th hearing, you expressed considerable concern about counterfeiting. Everyone agrees that enhanced security features are needed for Federal Reserve notes. When new notes are produced, it is in everyone's interest to get them into the market very, very quickly. I think the marketplace will quickly force older notes out.

I am leaving for the Middle East on Friday. I am going to Syria and I am sure that I will only take notes that have micro-engraving and security threads on them. I don't want to be inconvenienced by having my money rejected.

If new notes are introduced into circulation quickly, there be a strong perception that the old notes could be counterfeits. The marketplace will, in effect, demonetize the old notes.

Then how can we speed that introduction? By not replacing a denomination that has outlived its usefulness, the $1 note. As I mentioned, this bill consumes 49 percent of BEP's capacity. Use some of that capacity, 17 percent is my estimate, for $2 notes and use the remaining 32 percent for new bills. And if we do that, not one member of the Washington Plate Printers Union will lose his or her job.

By not changing our coins and notes, we are forcing the private sector to invent other forms of money. And if we ever become a cashless society—as The Washington Post in a recent article suggests, we are headed that way quickly, Dulles access road, they are going to scanners now. If we ever go to a cashless society, then the printers will be out of a job.

Mr. Chairman, someday the American public will rediscover a universal payment system that can be used quickly in vending machines, transit systems, pay phones and coin laundries. It will save

the government hundreds of millions of dollars annually and it will be convenient for customers and retailers. It is called a dollar coin.

Mr. HOYER. Thank you very much. We appreciate your testimony. It is an ongoing issue and, obviously, we will be looking at this and we appreciate your continued attention to it.

[The prepared statement follows:]

The Coin Coalition

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FAX (202) 783-5595

Airports Association Council International
American Amusement Machine Association
Amencan Council of the Blind
American Public Transit Association
Amusement and Music Operators Association
Chicago Transit Authority
Citizens Against Government Waste
Copper and Brass Fabricators Council
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International Association of Amusement Parks & Attractions
Multi-housing Laundry Assn.
National Association of Concessionaires
National Association of Convenience Stores
National Association of RV Parks and Campgrounds
National Automatic Merchandising Association
National Coffee ervice Association
National Confectioners Association
National Council of Chain Restaurants
National Licensed Beverage Assn.
National Parking Assn.
National Soft Drink Assn.
Public Telephone Council
RP Foundation Fighting Blindness
Randolph-Sheppard Vendors of Amenca (blind vendors)
The Seniors Coalition
Smarte Carte Inc.
Snack Food Association
Southeastern Pennsylvania Transit Authority
Southern California Rapid Transit District
TraveLoc Inc.
James C. Benfield
Executive Director

One Dollar Coin Act endorsed by:
American Numismatic Assn.
Sierra Club

Statement of James C. Benfield
House Appropriations Subcommittee on
Treasury, Postal Service and General Government
Oversight Hearings
March 23, 1994

Summary

The Coin Coalition, a group of 29 associations, transit authorities, and companies, wants the government to make changes in the legal tender system of circulating U.S. coins and Federal Reserve Notes to make cash transactions more efficient in the market place.

Many of the efficiencies that would accrue to the private sector would simultaneously benefit the operations of the Bureau of Engraving and Printing, the U.S. Mint and the Federal Reserve System.

We believe the logical place to start that process is with the introduction of a $1 coin, as called for in the One Dollar Coin Act of 1993, H.R. 1322.

Introduction of a $1 coin would benefit several sectors of the government, and government funded programs.

Federal Reserve System. Printing expenses would be reduced. Processing costs for notes ($6.90/thousand) would be reduced with coins ($2.68/thousand). The Fed would return more revenue to the Treasury.

BEP/Counterfeiting. With 49% of BEP production now used to print $1 FRNs, capacity would be freed to speed introduction of new currency with enhanced security features. $1 FRNs now look like counterfeits; counterfeits of high denomination notes look like the real thing. Clad coins are more difficult to counterfeit than Federal Reserve Notes.

U.S. Mint. Introduction of $1 coin would greatly reduce the demand for quarters. The one cent piece accounts for about 80% of the Mint's production.

Mass Transit. Over $124 million is spent annually processing $1 FRNs. Additional millions of $1 FRNs are lost to theft, because notes are more difficult to secure than coins.

Interest on the National Debt. Last year the Federal Reserve earned interest ("Portfolio Earnings") of between $17 and $20 billion on Treasury securities that back FRNs. With an increasingly inefficient legal tender system, the private sector will compete for those earnings with prepaid smart cards and direct payment debit cards. Revenues from the Fed to the Treasury will drop.

My name is Jim Benfield. I am a partner with the firm of Bracy Williams & Company and Executive Director of the Coin Coalition, a group of 29 associations, transit authorities, and companies that support the One Dollar Coin Act of 1993, H.R. 1322.

I know that this subcommittee does not have direct jurisdiction over coin matters. Yet, there are issues in the one dollar coin debate that affect areas of the subcommittee's jurisdiction.

I see little evidence in the Treasury Department that there is a unified approach to providing modern legal tender money for commerce. The BEP and the Mint are producing unneeded denominations while other western nations are matching currencies to their high-tech societies.

On March 4, the Mint testified about the challenges of increasing production from 15 billion coins in FY 1994 to 16.5 billion coins in FY 1995 while looking for "resources" to increase production to 17.5 billion coins.

That same day, the BEP told this committee that it is using web-fed intaglio presses to help it meet production growth from 8.0 billion currency notes in FY 1993 to 9.3 billion notes in FY 1994 and FY 1995.

What the BEP didn't emphasize was that 49% of its capacity is used to print $1 Federal Reserve Notes. What the Mint didn't emphasize was that 80% of its capacity is consumed minting pennies. With all this talk about reinventing government, what I see is a bureaucracy tying itself in knots trying to maintain the status quo.

Permit me to address the savings that would accrue with if we adopted reforms no more extreme than those already in place in Mexico and Canada.

Federal Reserve System. Printing expenses would be reduced. The Fed spends about 3.5¢ for each FRN -- costs not appropriated by Congress, but which come from internal funds. Processing costs for notes ($6.90/thousand) would be reduced because coins are easier to handle ($2.68/thousand). The Fed would return more revenue to the Treasury because of reduced printing and processing costs.

The loss in portfolio earnings on $1 FRNs would more than be offset from interest avoided through seigniorage on $1 coins and portfolio earnings on $2 FRNs. This analysis is substantiated in the General Accounting Office's report that concludes that the government would save $395 million, on average, over 30 years if a $1 coin replaced the $1 Federal Reserve Note. (See GAO/GGD-93-56, March 1993)

Bureau of Engraving & Printing/Counterfeiting. With the introduction of a $1 coin, printing capacity at the BEP would be freed to speed introduction of new FRNs with enhanced security features.

Forty nine percent of BEP's current production is printing $1 FRNs. If 60 of every 100 $1 FRN's is replaced by 30 $2 FRNs, then 34% of BEPs current production could be used to print new high denomination notes.

Demonetizing current FRNs and replacing them with FRNs of a different color and/or size would be highly disruptive to commerce and faith in the US dollar. However, if new security features are deemed necessary, and there is strong evidence to support this notion, then those bills should be placed into circulation quickly and boldly.

The more quickly new notes are introduced, the stronger will be the perception that old notes are not as secure. The marketplace will effectively remove the legal tender status of these notes, though they could still be redeemed through Federal Reserve member banks.

Clad coins are more difficult to successfully counterfeit than Federal Reserve Notes because modern electronic coin validators can determine the exact metallic alloy of the different layers of metal used in U.S. clad coins. In order to counterfeit a clad coin, three strips of metal of precisely the same alloy and thickness as the U.S. coin must be bonded together, then stamped with dies resembling current designs.

The Secret Service stated in an April 22, 1993 letter to Rep. Jim Kolbe that "In general, the effect of replacing the $1 Federal Reserve Note (FRN) with a $1 coin, would be positive with regard to the integrity of United States legal tender currency." See Attachment I.

The Blind. New Federal Reserve Notes could be of different lengths, thus addressing complaints about tactile differentiation by the American Council of the Blind and the Randolph-Sheppard Vendors of America.

The Committee on Next-Generation Currency Design has written that "...the width and thickness dimensions of the banknote could not practically be changed without causing a major change in the infrastructure supporting the handling of cash. However, it would be possible to vary the length by denomination, up to the present standard length." ("Counterfeit Deterrent Features for the Next-Generation Currency Design," National Academy Press, 1993.)

The $1 and $2 FRN should not be redesigned with new security features as this would be highly disruptive to the vending and mass transit industries.

U.S. Mint. Introduction of $1 coin would greatly reduce the demand for quarters as was experienced in Japan, Australia, United Kingdom, Canada, Netherlands, Norway. See Attachment II. This would free press capacity and annealing furnaces for $1 coin production. The one cent piece accounts for about 80% of the Mint's production.

While the Mint attributes most of the increased demand in coinage to the improved economy, there are other explanations that the Mint may not have explored.

1) Discarding coins. There is strong anecdotal evidence that Americans are throwing billions of pennies away each year. The highly regarded University of Arizona archeologist William Rathje wrote in "Rubbish! The Archaeology of Garbage":

> In each ton of clinker and nonferrous metals that SEMASS [a waste-to-energy facility in Southeastern Massachusetts] collects from the bottom ash -- and it collects about eight tons of it a day -- there is more than $1,000 in coins, which would be redeemed at full value by the United States treasury were it worth anyone's time to go through the vast metal bins looking for them. (one can only wonder about the formation processes that lead the million or so people served by SEMASS to leave $8,000 worth of coins in their garbage every day.)

A possible explanation for this phenomenon is that as inflation decreases the purchasing power of coins, they are discarded at an increasing rate.

2) Increased hording. Reluctant to throw pennies in the trash, many people curate them in dresser drawers and bottles. In tough economic times, the coins reenter circulation. In good times, people save them.

If the cost of minting pennies (now at about .8¢) should ever exceed 1¢, the seigniorage (difference between coin's cost and fact value) will turn from a benefit to taxpayers into a new cost. If the U.S. is to continue minting pennies, the Mint should study ways to increase the recirculation of pennies. The Royal Canadian Mint has launched such a study.

Mass Transit. Over $124 million is spent annually processing $1 notes. Transit systems lose millions more through theft, because bills are easier to steal than coins. Government subsidies indirectly are wasted on the inefficiencies of processing $1 FRNs.

Alternative Solutions to Obsolete Money. Because the U.S. government has not modernized coins and currency, the private sector has started to seek its own solution -- prepaid smart cards.

Instead of having coins and bills that are legal tender for all debts, consumers soon may have a pocketful of prepaid smart cards, each designed for a specific use, such as a pay phone, subway system or vending machine. Purchasing these cards could be a hardship for those who cannot afford to have $50 or more tied up in four or five different cards.

Washington's Metro is pushing coins and bills out of its system with 1) new "Metrochek" farecards purchased directly by employers, 2) farecards purchased directly with bank debit cards, and 3) new parking meters that will deduct money directly from prepaid smart cards.

Telephone companies across the United States already are selling "coin replacement cards" for $5 or more.

Colleges and prisons find magnetic striped smart cards practical for providing a multitude of services: phones, laundry, amusement games, copying, and vending machines.

Toll road and bridge authorities use radio signals to read electronic tags mounted on moving vehicles to collect prepaid tolls in Oklahoma, Florida, California, Chicago, and New York.

All these cards earn money for the issuer until the value on the card is consumed -- much as American Express earns money on traveler's checks until they are cashed.

Interest on the National Debt. Last year the Federal Reserve earned between $17 and $20 billion on Treasury securities that back these notes -- called "Portfolio Earnings." With an increasingly inefficient legal tender system, the private sector will compete for those earnings with pre-paid smart cards and direct payment debit cards. Revenues from the Fed to the Treasury will drop as a result.

While new technologies and consumer acceptance may move the United States toward a cashless society, the taxpayer deserves to benefit from the legitimate earnings that Federal Reserve Notes and coins generate. A policy that discourages the modernization of coins and notes simultaneously hurts commerce and all US citizens who bear the burden of the national debt.

Commemorative Programs. Commemorative themes should be placed on circulating coins as was done for the US Bicentennial Celebration on quarters and 50-cent pieces. The Treasury would gain hundreds of millions of dollars in profits from coins that are collected and saved. Canada has had extraordinary success with circulating commemoratives, as has the U.S. Postal Service with commemorative stamps that are sold at face value.

Commemorative coins now issued by the Mint carry surcharges that discourage collectors from buying Mint products. Many coins issued over the last decade can now be purchased at prices below the original issue price because the market discounts the surcharge. Circulating coins, by contrast, can be purchased at the face value of the coin and can be easily liquidated at the same price. Commemorative themes on circulating coins would encourage new collectors to enter the hobby. A new $1 coin would have the same affect on the hobby, which is why the American Numismatic Association has endorsed the One Dollar Coin Act of 1993.

Conclusion. Someday, the American public will rediscover a universally accepted payment system that can be used quickly in vending and farecard machines, pay phones and coin laundries. It will save the government hundreds of millions of dollars annually and will be convenient for customers and retailers. It's called a dollar coin.

Attachment I

DEPARTMENT OF THE TREASURY
UNITED STATES SECRET SERVICE
WASHINGTON, D.C. 20223

DIRECTOR

APR 22 1993

The Honorable Jim Kolbe
House of Representatives
Washington, D.C. 20515

Dear Mr. Kolbe:

Reference is made to your letter of March 26, 1993, requesting input concerning the One Dollar Coin Act of 1993, H.R. 1322.

In general, the effect of replacing the $1 Federal Reserve Note (FRN) with a $1 coin, would be positive with regard to the integrity of United States legal tender currency.

As you know, $1 FRN's are currently being bleached and higher denomination counterfeit notes are being printed on the bleached genuine paper. The production of counterfeit FRN's on bleached genuine paper increases the difficulty for the public to detect those counterfeit notes. If the $1 FRN was discontinued, the Secret Service would expect to see a drop in the number of counterfeit notes being printed on bleached genuine paper.

The current $1 FRN is also being used by individuals to produce raised notes (notes which have had their value increased by raising the denomination by means of a cut and paste method, or pen and ink method).

If the $1 FRN was replaced with a $1 coin, the counterfeiting of coins would probably increase. Also, the public may find it difficult to distinguish well made counterfeit coins from genuine coins. However, a major increase in the counterfeiting of coins would not be expected. In 1990, Canada introduced a $1 coin. To date the Canadians have not reported any major counterfeiting of the coin.

Other considerations include the cost of producing the $1 FRN as compared to a $1 coin, and the expected average circulation life of each.

The average circulation life of the $1 FRN is 14 to 18 months. The average circulation life of the $1 coin is expected to be 25 years. The production cost of the coin (14-22 cents) figured over the 25 year period is less than 1 cent per year. The $1 FRN costs 4.1 cents per note.

The Bureau of Engraving and Printing estimates that 45 percent of their production time and materials are utilized in the production of $1 FRN's. The savings could be used to increase the security of our higher denomination notes.

Thank you for allowing me this opportunity to comment on the implications of this legislation. Please let me know whenever we may be of service.

Sincerely,

John W. Magaw

John W. Magaw
Director

cc: The Honorable Esteban E. Torres

PRODUCTION OF COINS IN COUNTRIES THAT HAVE ISSUED HIGH-DENOMINATION COINS.*

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
CANADA												
1 dollar								199.300	143.747	186.024	68.402	23.156
50 cents	1.573	2.131	2.236	1.177	1.502	2.188	.779	.595	.266	0.0	.207	.490
25 cents	77.178	131.126	166.966	13.162	121.668	158.734	119.280	76.608	70.648	119.084	31.312	.459
NOTE: $1 bill removed from circulation in late 1989												
UNITED KINGDOM												
1 pound				147.409	42.115	520.697	73.293	32.763	34.871	0.00	70.741	
50 pence	91.405	61.509	54.812	37.030	18.462	39.752	.045	.186	.084	0.00	0.00	
25 pence	9.571	26.661	.148	.010	discontinued							
20 pence	new coin		633.091	221.416	39.396	37.168	65.087	43.297	144.935	98.397	110.421	
AUSTRALIA												
2 dollar									59.679	29.300	9.664	
1 dollar					174.039	104.517	25.900	0.0	1.564	0.00	0.00	
50 cents	35.135	44.374	49.905	49.158	22.910	5.520	.480	0.00	2.792	0.00	0.00	
20 cents	81.138	164.309	76.899	55.348	31.513	4.105	0.00	0.00	0.00	0.00	0.00	
NORWAY												
10 krone				200.193	11.073	22.457	29.000	8.809	2.630	4.200	3.034	
5 krone	1.578	1.104	3.919	2.932	1.233	1.399	2.350	.900	.865	0.00	0.00	
JAPAN												
500 Yen			300.000	240.000	342.850	70.000	50.000	2.775	148.218	208.894	159.953	
100 Yen	588.000	348.000	110.000	41.850	50.000	50.000	100.000	193.775	363.112	369.000	444.953	
NETHERLANDS												
5 guilders								3.700	69.959	69.000	47.200	
2.5 guilders	37.504	30.386	15.076	3.600	5.000	3.111	5.808	2.462	6.240	4.000	1.000	
1 guilder	67.504	81.386	31.076	5.000	4.000	3.111	12.128	20.142	13.574	1.000	1.000	

* Production in millions of coins.
Source: U.S. Mint "World Coinage Report"

Osta suggest that new high-denomination coins reduces the need for the coin of the next lower denomination.

Pepared by the Coin Coalition, 6/92.

WEDNESDAY, MARCH 23, 1994.

INTERNATIONAL PLATE PRINTERS, DIE STAMPERS, AND ENGRAVERS UNION OF NORTH AMERICA

WITNESSES

DANIEL BRADLEY, PRESIDENT

Mr. HOYER. Next we will have—next we are going to have the International Plate Printers, Die Stampers and Engravers Union. Dan Bradley will represent them.

We appreciate you being with us. Good afternoon. Do you have a prepared statement?

Mr. BRADLEY. I do.

Mr. HOYER. We will include that in full in the record and you can proceed in such manner as you deem appropriate.

Mr. BRADLEY. I appreciate it, Mr. Chairman, and agree with you that Maryland will beat Michigan.

Mr. HOYER. That is two of us now. We have got to just find five other people to put it on the Floor. We will be in good shape.

Mr. BRADLEY. Mr. Chairman, my name is Daniel Bradley and I am President of the International Plate Printers, Die Stampers and Engravers Union of North America. I appreciate the opportunity to testify on behalf of the Save the Greenback Coalition and to comment on the record regarding the necessity to maintain the $1 bill in its current form.

The subcommittee is in receipt of my written statement and I would ask that it be inserted into the hearing record.

The $1 bill which carries the likeness of George Washington has been a staple of our currency since 1869. During that entire period, we have never heard the American people express their disagreement or their displeasure with the $1 bill.

In 1990, there was an effort to replace the $1 bill with a coin. Exactly four years ago in April, the Gallup organization conducted a poll to ask the American public if they preferred the coin to the $1 bill. A decisive majority, 85 percent, opposed taking the dollar bill out of circulation.

The proponents are back again, this time in the face of another well-respected poll by Yankelovich Partners done in February of 1994. Yankelovich Partners, who also do the polling for Time Magazine, conducted a nationwide survey with 1,000 individuals representing a full range of economic and ethnic backgrounds.

The survey results overwhelmingly indicate that the American people still do not want to be forced to switch from the $1 bill to a coin. I would like to cite just a few of the highlights for the committee and ask that the results of the poll be entered into the record. Sixty-five percent of those requested oppose eliminating the $1 bill, 88 percent feel that the $1 bill is easier to use than a coin, 75 percent are satisfied with the $1 bill and do not want a change.

In addition, the poll indicates a very real concern by 71 percent of the American people that if they coin bill becomes law, the price of items purchased from vending machines, such as food and cigarettes, will rise. They also expect to see increases in the costs of other everyday items such as parking meters and pay telephone calls.

The coin legislation will be an excuse by the vending machine interests to raise prices on everyday items, a future sales tax to be levied on all Americans but falling hardest on those who can afford it the least.

The burden of proof is on the Coin Coalition and its allies in the vending machine industry to demonstrate that the public will not lose more than just a $1 bill. It is important to note that H.R. 1322, the bill designed to eliminate the $1 bill in favor of the coin, does not allow the American people a choice, but instead imposes on them a coin that they do not want.

There is an additional fact I would like to bring to the attention of the subcommittee. On the final page of the 1993 GAO report, which has been repeatedly cited by the Coin Coalition, there is the following statement which I would like to read:

> Finally, we are troubled with the Treasury Department's and the Mint's comments that a Treasury Department champion of the $1 coin might not spend the time necessary to successfully champion the coin in view of higher priorities, such as promoting recent tax initiatives. Without Treasury's leadership, we believe the initiative would fail.

The Treasury Department is reluctant to engage in the activity for a very good reason: A desire not to expend scarce fiscal resources on a program of dubious merit which is so clearly unpopular with the public.

For example, the Yankelovich poll asked the American people if they wanted government funds used to promote use of a dollar coin. An overwhelming 86 percent responded that they opposed using government funds to support the promotion of the coin. The public is clearly aware of more urgent priorities.

None of us really want to see a repeat of the Susan B. Anthony drama in which the dollar coin was overwhelmingly rejected by the public. It did not save us a nickel when it was minted, although officials said at the time that savings would be realized.

At this moment, there are over $400 million in Susan B. Anthony coins currently sitting idle in the U.S. Mint. Will we have to make room in a few years' time for another dollar coin because we didn't heed the lessons of the past?

It is not enough to blame the failure of the Susan B. Anthony dollar on its design along. The people overwhelmingly rejected it as part of the currency system. The people had a choice and they made it, clearly.

It is true, as often cited by the Coin Coalition, that countries such as Canada and Australia switched to the dollar coin. It is also true that the public in those countries was not given the opportunity to make a choice.

This is not a tradition that we find particularly appealing. We have historically relied on the judgment of the American public to know what is best for their country. This coin will not generate sufficient savings to justify a major disruption in the lives and habits of the American people.

Given the serious economic challenges facing this Congress, I believe that there are more urgent priorities before this subcommittee than enforcing a change from the $1 bill to a coin on the American public.

The cost of going to a dollar coin would be significant to many in the private sector including the small town banks which would have to retool with coin counting, wrapping and sorting equipment, costs which would be passed on to their customers. The fact is that the $1 bill has remained in existence for so many years because people didn't want to carry bulky coins and still don't. As you digest the rationale for switching from the $1 bill, I would respectfully suggest that you consider the above.

I urge this committee to keep its sights on the important matters before it and not be distracted by this divisive issue.

We appreciate the opportunity to come before you to express our support in keeping the $1 bill in circulation. We feel that the views of the American public, having been sought, analyzed and summarized, should be followed in regard to preserving the $1 bill.

Thank you, Mr. Chairman.

[The prepared statement follows:]

STATEMENT OF DANIEL BRADLEY BEFORE THE TREASURY, POSTAL SERVICE AND GENERAL GOVERNMENT SUBCOMMITTEE, COMMITTEE ON APPROPRIATIONS

March 23, 1994

Good afternoon, Mr. Chairman, my name is Daniel Bradley and I am President of the International Plate Printers, Die Stampers and Engravers Union of North America. I appreciate the opportunity to testify on behalf of the Save The Greenback coalition and to comment on the record regarding the necessity to maintain the One Dollar Bill in it's current form.

The Subcommittee is in receipt of my written statement, and I would ask that it be inserted into the Hearing record.

The One Dollar Bill, which carries the likeness of George Washington, has been a staple of our currency since 1869. During that entire period, we have never heard the American people express their disagreement, or their displeasure with the One Dollar Bill.

In 1990, there was an effort to replace the One Dollar Bill with a coin. Exactly four years ago in April, the Gallup Organization conducted a poll to ask the American public if they preferred the coin to the One Dollar Bill. A decisive majority: 85 percent, opposed taking the dollar bill out of circulation.

The proponents are back again, this time in the face of another well-respected poll by Yankelovich Partners done in February of this year.

Yankelovich Partners, who also poll for time magazine, conducted a nationwide survey with 1000 individuals representing a full range of economic and ethnic backgrounds.

The survey results overwhelmingly indicate that the American people still do not want to be forced to switch from the One Dollar Bill to a coin.

I would like to cite just a few of the highlights for the committee, and ask that the results of the poll be entered into the record.

> 65% Of those questioned oppose eliminating the one dollar bill.
>
> 88% Feel that the one dollar bill is easier to use than a coin.
>
> 75% Are satisfied with the one dollar bill and do not want a change.

In addition, the poll indicates a very real concern by 71% of the American people that if the coin bill becomes law, the price of items purchased from vending machines such as food and cigarettes will rise. They also expect to see increases in the costs of other everyday items such as parking meters and pay telephone calls.

The coin legislation will be an excuse by the vending machine interests to raise prices on everyday items - a future sales tax to be levied on all Americans but falling hardest on those who can afford it the least.

The burden of proof is on the coin coalition and its allies in the vending machine industry to demonstrate that the public will not lose more than just the One Dollar Bill.

It is important to note that H.R. 1322, the Bill designed to eliminate the One Dollar Bill in favor of the coin, does not allow the American people a choice, but instead imposes on them a coin that they do not want.

There is an additional fact that I would like to bring to the attention of the Subcommittee. On the final page of the 1993 GAO report, which has been repeatedly cited by the coin coalition, there is the following statement which I would like to read:

> "Finally, we are troubled with the Treasury Department's and the Mint's comments that a Treasury Department champion of the 1-dollar coin might not spend the time necessary to successfully champion the coin in view of higher priorities, such as promoting recent tax initiatives. **Without Treasury's leadership, we believe the initiative would fail**."

The Treasury Department is reluctant to engage in the activity for a very good reason: a desire not to expend scarce fiscal resources on a program of dubious merit which is so clearly unpopular with the public.

For example:

The Yankelovich Poll asked the American people if they wanted government funds used to promote use of a dollar coin.

An overwhelming 86% responded that they opposed using government funds to support the promotion of the coin. The public is clearly aware of more urgent priorities.

None of us really want to see a repeat of the Susan B. Anthony drama in which the dollar coin was overwhelmingly rejected by the public. It did not save us a nickel when it was minted, although officials said at the time that savings would be realized.

At this moment, there are over 400 million dollars in Susan B. Anthony coins currently sitting idle in the U.S. Mint. Will we have to make room in a few years time for another dollar coin, because we didn't heed the lessons of the past?

It is not enough to blame the failure of the Susan B. Anthony dollar on its design alone. The people overwhelmingly rejected it as part of the currency system. The people had a choice and they made it - clearly.

It is true, as often cited by the coin coalition, that countries such as Canada and Australia switched to the dollar coin. It is also true that the public in those countries was not given the opportunity to make a choice.

This is not a tradition that we find particularly appealing. We have historically relied on the judgment of the American public to know what is best for their country.

This coin will not generate sufficient savings to justify a major disruption in the lives and habits of the American people. Given the serious economic challenges facing this Congress, I believe that there are more urgent priorities before this Subcommittee than enforcing a change from the One Dollar Bill to a coin on the American public.

The costs of going to a dollar coin would be significant to many in the private sector including the small town banks which would have to retool with coin counting, wrapping, and sorting equipment - costs which would be passed on to their customers. The fact is that the One Dollar Bill has remained in existence for so many years because people didn't want to carry bulky coins - and still don't.

As you digest the rationale for switching from the One Dollar Bill, I would respectfully suggest that you consider the above.

I urge this committee to keep its sights on the important matters before it and not be distracted by this divisive issue.

We appreciate the opportunity to come before you to express our support in keeping the One Dollar Bill in circulation. We feel that the views of the American public, having been sought, analyzed, and summarized should be followed in regard to preserving the One Dollar Bill.

GREENBACK POLL

-Final topline data-

Prepared for:
Leonard, Ralston, Stanton & Danks

Prepared by:
Yankelovich Partners Inc.

February 14, 1994

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Greenback Poll

Final Topline Data

The following are the results of the U.S. currency survey conducted February 8-13, 1994. The survey was conducted by telephone among 1,002 adult Americans. The sampling error is plus or minus 3%. Percentages are based on the total number of respondents, unless otherwise indicated.

1. Congress is currently considering legislation that would create a new one dollar coin. This coin would be minted in the United States and have similar characteristics as current U.S. coin currency in its metallic and anti-counterfeiting properties. Do you favor or oppose this legislation to create a new one dollar coin?

	%
Approve	34
Disapprove	42
Neither approve or disapprove (VOL.)	21
Not sure (VOL.)	3

2. The government is also considering legislation that would discontinue the production of the one dollar bill, should the new dollar coin legislation pass. Do you favor or oppose abolishing the dollar bill and replacing them with one dollar coins?

	%
Favor	20
Oppose	65
Neither favor or oppose (VOL.)	13
Not sure (VOL.)	2

IF OPPOSE IN Q.2 (N=655)

3. Which of the following are reasons why you oppose legislation for a new dollar coin:

	%
There is a 125 year tradition of the U.S. dollar bill	44
The dollar's not broke, why fix it	75
The dollar's role as leader of the world currency	50
The dollar bill is easier to use than a coin	88
Other _____ (VOL.) SPECIFY	7
Don't Know (VOL.)	2

Greenback Poll

Final Topline Data

4. Opponents of the new one dollar coin claim that a coin would cause corresponding increases in prices paid for use of such things as parking meters, pay telephones, or laundromats, as well as raising the consumer's cost of items bought from vending machines. How likely do you feel that coin-operated machines will raise their prices should a new dollar coin be minted? Do you think this is very likely, fairly likely, somewhat likely or not at all likely?

	%
Very likely	38
Fairly likely	13
Somewhat likely	20
Not at all likely	23
Not sure (VOL.)	6

5. If a new dollar coin is minted, the government, as part of this change, would conduct a public relations campaign -- paid for by government funds -- to persuade people to use the new dollar. Do you favor or oppose spending government funds to conduct a campaign to persuade people to switch from the dollar bill to a new dollar coin?

	%
Favor	11
Oppose	86
Not sure (VOL.)	3

CLASSIFICATION

READ:
Finally, I have a few questions for classification purposes.

A. What is you age?

	%
18 - 24 years	14
25 - 29 years	13
30 - 34 years	10
35 - 39 years	11
40 - 49 years	15
50 - 64 years	19
65 years and over	16
Refused	2
Average	*43 years*

Greenback Poll

Final Topline Data

B. What is the last grade of school you completed?

	%
8th grade or less	5
Some high school	13
High school graduate	32
Some college	23
College graduate	16
Postgraduate study	9
Refused	2

C. What is your marital status?

	%
Married	57
Single and never married	22
Divorced or separated	11
Widowed	8
Refused	2

D. Is your total family income before taxes:

	%
Less than $20,000	25
$20,00 - $35,000	23
$35,000 - $50,000	18
$50,000 - $75,000	13
$75,000 and over	7
Refused (VOL.)	14
Average	*$37,500*

E. Are you of Hispanic origin or descent?

	%
Yes	7
No	90
Refused (VOL.)	3

Greenback Poll

Final Topline Data

F. What is you race? Are you white, black, Asian, or something else?

	%
White	80
Black	11
Asian	1
Hispanic (VOL.)	3
Other (VOL.)	2
Refused (VOL.)	3

G. Sex

	%
Male	48
Female	52

Region

	%
Northeast	21
Midwest	25
South	34
West	20

Mr. HOYER. How do you feel about this subject?

Mr. BRADLEY. I have some strong feelings on it, Mr. Chairman.

Mr. HOYER. You don't leave any doubt for us. We appreciate that. We will sift through it. We can tell right off where you are. This is obviously an issue that has been a continuing one. We have discussed it with you and have discussed it with others. We talked to Mr. Benfield about it in the past and we will certainly give it our attention when we mark up our bill.

Now, obviously I don't know that we will take action. For one thing, this is obviously an authorizing issue, but it is an issue of interest to this committee because we fund those who either make the bills or the coins. Obviously it does have a consequence to us, and the Chair and the committee is very interested in the whole issue of counterfeiting.

Thank you very much, appreciate it.

WEDNESDAY, MARCH 23, 1994.

THE UNION MEMORIAL HOSPITAL

WITNESS

E.F. SHAW WILGIS, M.D., CHAIRMAN

Mr. HOYER. Is Dr. Wilgis here. Doctor, you want to come forward, sir?

How are you, sir? Doctor, we are glad to have you here. We would be glad to hear from you, and if you have prepared testimony, which I see you do, we will include it in full in the record and be glad to hear from you.

Dr. WILGIS. We have submitted written testimony all right. Mr. Chairman, I am Dr. Shaw Wilgis, Director of the Raymond A. Curtis Hand Center at the Union Memorial Hospital. I appreciate the opportunity to speak with you today about an innovative proposal that will provide leadership and direction in the care of millions of individuals afflicted with hand and upper extremity disorders and injuries including significant numbers of Federal employees, particularly postal workers who suffer from repetitive motion disorders.

The Raymond A. Curtis Hand Center at the Union Memorial Hospital is proposing to establish a National Center for the Treatment and Surgery of the Hand and Upper Extremity. The mission of the Center will be the initiation of clinical guidelines for treatment, collection of data for labor, industry and government, and leadership for training and research in the field of hand and upper extremity surgery.

Surgery of the hand and upper extremity encompasses the investigation, diagnosis and treatment of those conditions that affect the upper limb, causing deformity and dysfunction of the hand. The scope of hand surgery is far-reaching and includes treatment of industrial injuries, including cumulative trauma disorders, diseases which affect the hands, such as contracture and nerve compression syndromes, arthritic problems of the older population, children who are born with birth deformities of the hand and home injuries.

In fact, in 1980, it was estimated that approximately 1.6 million people experienced upper extremity injuries, accounting for 90 million days of restricted activity and 16 million days lost from work, with a total direct and indirect cost of $10 billion.

This national center will be a cost-effective treatment resource for the Nation. In 1992, the most frequent hand surgery procedure, carpel tunnel release, was performed by Hand Center staff 22 percent below the average charge of other Maryland hospitals.

Currently members of the staff and particularly the Work Rehabilitation technicians consult with companies, factories and worksites in an attempt to reduce the incidence of work-related injuries, such as repetitive motion or carpal tunnel syndrome. The National Center will allow the program to be expanded to additional businesses throughout the region and will serve as a model for work site injury prevention.

The Center also will train hand therapists in an effort to address the shortage of these professionals. The Center will train occupational and physical therapists and develop a curriculum for this training that could be replicated at hospitals throughout the country.

The Hand Center currently provides services to government employees of several agencies. The new center would expand the services by providing treatment, rehabilitation and treatment to other agencies, such as GSA, the Postal Service and others.

Mr. Chairman, at the core of the National Center's work, there will be basic research on the future of hand surgery. Led by the Hand Center's research director, Dr. Thomas Brushart, the National Center will be the vanguard of research on nerve regeneration, carpal tunnel syndrome and prosthetic devices. The importance of nerve regeneration research and its multitude of applications for the future of hand and related surgery cannot be understated.

Another major focus of the Hand Center's research will be carpal tunnel syndrome. The cost associated with carpal tunnel syndrome in the United States runs into hundreds of millions of dollars, a substantial portion of which is currently covered by worker's compensation.

To support this research and expanded training programs, the state-of-the-art information management system and conference facility will be integral to the National Center. For example, the information management system will allow the National Center to accumulate and publish cost-effective therapy protocols that can be utilized throughout the country to help bring down costs and improve care. These full-package protocols will include treatment beginning with diagnosis and surgery and include therapy and vocational training.

While cost saving benefits are obvious, no such complete protocols currently exist.

Mr. Chairman, the various care units of the Hand Center are currently spread throughout the hospital campus and are operating at maximum capacity. The National Center will create a centralized facility dedicated to upper extremity research and training. Utilizing the Union Memorial Hospital's multi-disciplinary approach, it will serve as a national model for medical specialties.

This project has the support of the Maryland delegation, the Mayor of Baltimore, and the Maryland Governor's office and is consistent with our dedication to community outreach and quality care.

I appreciate the subcommittee consideration of this request.

Mr. HOYER. We appreciate the time you have taken to be with us. I think you do important work and we will certainly give careful consideration to this request. Thank you.

[The prepared statement and answers to questions submitted for the record follows:]

HOUSE TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS SUBCOMMITTEE

Statement of Dr. E.F. Shaw Wilgis, Chairman of the Board and Medical Director of The Raymond A. Curtis Hand Center at The Union Memorial Hospital

March 23, 1994

Mr. Chairman and members of the Subcommittee, I am Dr. Shaw Wilgis, Director of the Raymond A. Curtis Hand Center at the Union Memorial Hospital. I appreciate the opportunity to speak with you today about an innovative proposal that will provide leadership and direction in the care of the millions of individuals afflicted with hand and upper extremity disorders and injuries including significant numbers of Federal employees, particularly postal workers, who suffer from repetitive motion disorders.

The Raymond A. Curtis Hand Center at the Union Memorial Hospital is proposing to establish a National Center for Surgery of the Hand and Upper Extremity. The mission of the Center will be the initiation of clinical guidelines for treatment, collection of data for labor, industry and government, and leadership for training and research in the field of hand and upper extremity surgery.

Surgery of the hand and upper extremity encompasses the investigation, diagnosis and treatment of those conditions that affect the upper extremity and hand causing deformity and dysfunction of the hand. The scope of hand surgery is far reaching and includes treatment of industrial injuries including cumulative trauma disorders, diseases which affect the hand such as contracture and nerve compression syndromes, arthritic problems in the older population,

children who are born with birth defects of the hand and upper extremity and home injuries involving power saws, lawn mowers, hedge clippers and other devices.

In 1980, it was estimated that approximately 1.6 Million people experienced upper extremity injuries accounting for 90 million days of restricted activity and 16 million days lost from work in a year with a total direct and indirect cost of $10,000,000,000.

The National Center will be organized within the Union Memorial Hospital as a component division with Dr. E.F. Shaw Wilgis as the director. Dr. Thomas Brushart will be director of research; Dr. Gaylord Clark, director of external affairs; and Dr. Michael McClinton director of training. Dr. Neal Zimmerman would undertake the development of the data collection system. All of these individuals are currently active in these roles at the hospital.

The National Center will be a cost effective treatment resource for Maryland and the nation. In 1992, the most frequent hand surgery procedure, carpel tunnel release, was performed by Hand Center staff 22% below the average charge of other Maryland hospitals'. While maintaining the Curtis Hand Center's history of multi-disciplinary cost-effective care, the National Center will expand current patient capabilities and referral services to neighboring states. Outreach centers will be established throughout the state to provide localized care in areas not currently capable of treating hand and upper extremity injuries.

Currently, members of the Hand Center staff and particularly the Work Rehabilitation technicians consult with companies, factories and work sites in an attempt to reduce the incidence of work related and upper extremity injuries such as repetitive motion or carpal tunnel syndrome. The National Center will allow this program to be expanded to additional businesses throughout the region and will serve as a model for work site injury prevention.

The National Center also will train hand therapists in an effort to address the shortage of these professionals. The Center will train occupational and physical therapists and develop a curriculum for this training that could be replicated at hospitals throughout the country. The Hand Center's current physician training capabilities also will be expanded including the staffs work with the Armed Services, regional hospitals and universities, and foreign hand specialists.

One of our most ambitious outreach training program currently underway at the Hand Center is the staff's work with emerging and third world countries. Currently, members of the Hand Center travel to Guyana two to three times a year to provide medical assistance. The doctors work with local physicians treating hand and related injuries that otherwise would have been left unattended because of inadequate health care capabilities. Expanding upon these foreign outreach efforts is an important goal of the National Center and the participating physicians in the years ahead.

At the core of the National Center's work, though, will be basic research on the future of hand surgery. Led by the Hand Center's Research Director, Dr. Thomas Brushart, the National Center will be at the vanguard of research on nerve regeneration, carpel tunnel syndrome, and prosthetic devices.

One of the Hand Center's most urgent needs is an animal care facility which fulfills National Institute of Health (NIH) requirements. This will allow researchers at the National Center to compete for research funding and research fellow support needed for the survival and development of our research program, particularly in the field of nerve regeneration. The importance of the nerve regeneration research and its multitude of applications for the future of hand and related surgery cannot be under-emphasized.

Another major focus of the Hand Center's research will be carpal tunnel syndrome. The cost associated with carpal tunnel syndrome in the United States runs into the hundreds of millions of dollars; a substantial portion of which is currently covered by workers compensation. The volume of patients that the new National Center will be able to sustain will allow for careful clinical research on the causes and treatments of repetitive motion injuries. The research will be targeted at lowering costs and seeking preventive measures to reduce the incidence of this type of injury.

To support this research and the expanded training programs, a state-of-the-art information management system and conference facility will be integral to the National Center.

For example, the information management system will allow the National Center to accumulate and publish cost-effective therapy protocols that can be utilized throughout the country to help bring down costs and improve care. These full package protocols will include treatment beginning with diagnosis and surgery and include therapy and vocational training. While cost saving benefits are obvious, no such complete protocols currently exist.

Mr. Chairman, the various care units of the Hand Center are currently spread throughout the hospital campus and are operating at maximum capacity. The National Center will create a centralized facility dedicated to upper extremity research and training. Utilizing the Union Memorial Hospital's multi-disciplinary approach will serve as a national model for medical specialties.

The total project cost is estimated at $15,300,000 and requires 45,000 gross square feet of additional space.

This project has the support of the Maryland delegation, the Mayor of Baltimore, and the Governor's office and it is consistent with the Union Memorial Hospital's dedication to community outreach and quality care. It is our hope, Mr. Chairman, that your subcommittee will join in support of our efforts by providing a federal grant of $5,000,000 in fiscal year 1995 to support the development of the Center. I appreciate the subcommittee's consideration of this request.

April 29, 1994

The Honorable Steny Hoyer
Chairman
House Appropriations Subcommittee on
Treasury, Postal Service, and
General Government
H-164 The Capitol
Washington, DC 20515

Dear Chairman Hoyer:

Thank you again for the opportunity to testify before your Subcommittee on behalf of the Raymond M. Curtis Hand Center at the Union Memorial Hospital.

As requested, I am responding in writing to the questions sent to me by your subcommittee. Please contact me if I can provide you with further information.

1. *What organization would be the recipient of the federal funds requested?*

   The Raymond M. Curtis Hand Center at the Union Memorial Hospital in Baltimore, MD.

2. *How much money are you requesting from this subcommittee for FY 1995?*

   We are requesting $5 million for FY 1995.

3. *What would these funds be used for?*

   These funds would be used to develop a state-of-the-art National Center for Treatment of the Hand and Upper Extremity.

4. *What is the federal purpose of the specific project for which this organization is requesting funds from the Subcommittee?*

   The federal government has an interest in reducing preventable injuries and reducing health care costs. The National Center for Treatment of the Hand and Upper Extremity Project will serve as a national model for specialized surgery. The cost-effective care

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that typifies the Curtis Hand Center and The Union Memorial Hospital also will be a model that can be replicated throughout the country.

Furthermore, members of the Hand Center staff and particularly the Work Rehabilitation technicians regularly consult with companies, factories and work sites in an attempt to reduce the incidence and subsequently the cost, of work related hand and upper extremity injuries such as repetitive motion or carpal tunnel syndrome. The new Center will allow this program to be expanded to additional businesses throughout the region. With over 300 Federal employees being treated at the Hand Center in 1992, advances in prevention and treatment of these types of injuries will inevitably reduce government costs.

5. *What will be the ongoing federal operations at the facility or program involved once it is operational?*

The Center will continue its relationship with the Armed services by providing training to Hand surgeons at no cost to the government. The Center's staff also will consult with Federal agencies, including the NIH, wishing to reduce the incidence of hand and related injuries at the work site. No operational funds will be requested from the Federal government once the facility is complete.

6. *Are you requesting any funds for non-construction purposes? What would these funds be used for?*

A substantial portion of the funding would be used for programs associated with the Hand Center's training and research efforts and a state-of-the-art information management system which will be used to collect and disseminate clinical guidelines to other hospitals throughout the world.

7. *What is the total expected cost of the project? What percentage of the total cost of this project would be funded by the federal government?*

The total cost of the project is estimated to be $15,300,000.

8. *How much state, local, or private funds will be used for the project?*

We will be seeking $5.3 million from non-Federal sources to match the $10 million we are requesting from the Federal government.

9. *For FY 1994, what is the total amount of federal funds that this organization received, and what activities were funded by these amounts?*

In Fiscal Year 1993, we received no congressionally directed federal funds.

10. *Has the project received federal funds in the past? In what fiscal years were those funds received, and how much?*

No.

11. *Are you seeking funds this year from any other federal source, or any other Appropriations Subcommittee?*

We are investigating several funding opportunities both within the Federal government and in the private sector. However, we believe this subcommittee in the most appropriate place to seek funding for a project such as the National Center for Surgery of the Hand and Upper Extremity.

12. *Will you be seeking additional funds from this Subcommittee or any other Appropriations Subcommittee in the future?*

Yes. We would hope to return to this Subcommittee for additional funds in Fiscal Years 1996 and 1997 for a total federal share of $10 million over the life of the project.

13. *Is your organization currently represented by any individual, law firm, lobbying firm, or other organization for the purpose of obtaining federal funds?*

Yes.

Sincerely,

E. F. Shaw Wilgis
Director

WEDNESDAY, MARCH 23, 1994.

WITNESS

HON. RONALD D. COLEMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. HOYER. Jim Ketterman of the—excuse me. I keep passing over you. I apologize for that, but we have one of our colleagues here and we will hear Mr. Coleman at this time.

Mr. COLEMAN. I will make mine amazingly brief, Mr. Chairman.

Mr. HOYER. We will be amazed.

Mr. Coleman used to be a distinguished member of this subcommittee. He continues to be an influential member of the Appropriations Committee of the Congress, and a very close friend of the Chair. We are glad to hear from you.

Mr. COLEMAN. Thank you, Mr. Chairman. I appreciate the opportunity to present testimony concerning your fiscal year 1995 budget deliberations. I would like to bring your attention to four critical matters. I will not only highlight my entire submission and with your permission, only ask that you look at and concentrate on the issue of the Customs Service because that dominates my request for the next fiscal year of this subcommittee.

A recommendation of at least 30 additional Customs Inspectors is being requested to be assigned to my district on a full-time basis. There has been in the media recently and as a matter of fact premedia concern about the amount of hours at which the Customs Service will be able to function and operate, the number of crossings that we currently have, cutbacks were recommended for nighttime—part of the nighttime crossings. That creates additional problems that I know you are aware of.

We think that the additional Customs agents is a right response to those problems. We can do the job with 30 additional. If we can keep up, I think we can move commerce and people.

The second area relates to NAFTA. I would say to you that the Customs Service could serve as a clearinghouse for information on import-export issues. I would recommend that Customs establish a major trade center for southwest border commerce by opening a field service center and enforcement training center in El Paso.

Thirdly, I would request the subcommittee continue its support in the area of drug control initiatives directed at the southwest border region. This includes continued designation of the Southwest border region as a HIDTA for drug control activities under the Office of National Drug Control Policy.

Also, I request your support for the Customs Service to carry out its drug interdiction efforts, and continued support for Operation Alliance, the multi-agency, multi-state entity involving Customs and BATF whose primary mission it is to coordinate drug enforcement organizations operating in the Southwest border region.

My fourth and final request, Mr. Chairman, was one that concerns drug enforcement, the El Paso Intelligence Center. Under leadership of this committee last year, we received $4 million from the special forfeiture fund for expansion of its physical facility.

Under the second year of the expansion, I am again seeking funds from that Forfeiture Fund, if that is the committee's desire, to purchase equipment related to the expansion, purchases includ-

ing furniture. The total amount for fiscal year 1995 for equipment and the furniture would be $1.8 million.

I would like to submit an attachment detailing the cost of that project.

[The information follows:]

EL PASO INTELLIGENCE CENTER, FISCAL YEAR 1995—EXPANSION FURNITURE AND EQUIPMENT REQUIREMENTS

1. System (modular) furniture	$159,000.00
2. Installed furniture	135,000.00
3. Telecommunication	120,000.00
4. Audiovisual	100,000.00
5. Security monitoring/access system	400,000.00
6. Other furniture	89,000.00
7. Electronic document/filing systems	73,000.00
8. Miscellaneous	47,000.00
9. Shredders	9,000.00
10. Lockers	6,000.00
Sub-total	1,138,000.00
11. Shipping handling/installation	113,000.00
12. Automated data processing equipment, cabling and installation	520,000.00
Total	1,771,000.00

Mr. COLEMAN. In closing, let me again say to you, Mr. Chairman, and to your entire subcommittee and to staff that works here diligently all the time, how much I appreciate their time and consideration of these and other requests of the members. I appreciate it.

[The prepared statement follows:]

STATEMENT OF RONALD D. COLEMAN
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT
MARCH 23, 1994

Mr. Chairman and members, thank you for the opportunity to present testimony concerning the subcommittee's Fiscal Year 1995 budget deliberations. As a former member of this distinguished panel, I am aware of the many pressing issues within your jurisdiction. I appreciate the leadership of Chairman Hoyer and the members in such critical areas such as our nation's war on drugs. I would like to highlight my testimony and submit my written remarks for the record.

I am here today to bring to your attention four critical matters impacting my congressional district. As you know, I have the privilege of representing El Paso, Texas, the largest city directly on the United States border with Mexico. With its sister city of Ciudad Juarez, Chihuahua, this international community of some two million people faces unique problems as its residents interact in a microcosm of trade issues; dramatic health issues of a developing nation; infrastructure shortcomings; and bureaucratic quagmires. They often feel isolated from their capitals in Washington and Mexico City.

Issues related to the United States Customs Service dominate my requests to this subcommittee. The El Paso ports of entry consist of three major bridges with northbound traffic from Mexico. Last year, approximately 40 million persons legally crossed the border at El Paso in nearly 16 million carriers, including almost 567,000 freight carriers--making it one of the busiest ports in the nation for the Customs Service. A continuing concern from those involved in the trade community, tourists, and commuters who utilize these bridges on a daily basis are the long lines caused by a lack of Customs personnel.

My first request, therefore, is a recommendation from this subcommittee that atleast 30 additional Customs inspectors be specifically assigned to the El Paso District on a full-time basis in FY 1995. In order to effectively carry out enforcement activities associated with the North American Free Trade Agreement, I believe it is imperative that we utilize all inspection lanes at the bridges, continue to coordinate the use of secondary inspections, and implement use of emerging technologies available to expedite traffic.

The second area of importance involving Customs also relates to NAFTA. It seems logical to utilize the expertise of the Customs Service in El Paso for those individuals and businesses who wish to pursue international commercial activities. Given the central geographic location of El Paso along the Southwest border, the

Customs Service could serve as a clearinghouse for information on import-export issues and trade enforcement. I would like to recommend that Customs establish a major trade center in El Paso for Southwest border commerce by opening a Field Service Center and Trade Enforcement Center. I seek the support of the committee in directing Customs to study and plan for this activity in Fiscal Year 1995. This would also centralize the many Customs Service activities and employees scattered in many offices throughout El Paso.

Besides enforcement of our nation's trade and customs laws, the Customs Service has a major responsibility in drug interdiction. They are assisted in this critical initiative by the Drug Enforcement Agency (DEA), the Federal Bureau of Investigation (FBI), the Bureau of Alcohol, Tobacco and Firearms (BATF), and state and local enforcement agencies. My third request is that this Subcommittee continue to support the drug control initiatives directed at the Southwest border region. This includes continued designation of the Southwest border region as a High Intensity Drug Trafficking Area or HIDTA for drug control activities under the Office of National Drug Control Policy. Also, I request your support for the Customs Service to carry out its drug interdiction efforts in the vast desert areas of the Southwest by the purchase and maintenance of surveillance equipment, including aircraft. And finally, I ask for continued support for Operation Alliance, the multi-agency, multi-state entity involving Customs and BATF whose primary mission is to coordinate drug enforcement organizations operating in the Southwest border region.

My fourth and final request today also concerns drug enforcement. The El Paso Intelligence Center (EPIC) is another multi-agency entity which coordinates and disseminates tactical intelligence for federal, state, and local law enforcement organizations across the country. Under the leadership of this committee last year, EPIC received $4 million from the Special Forfeiture Fund for expansion of its physical facility. Under the second year of this expansion, I am again seeking funds from the Forfeiture Fund which would purchase furniture and equipment related to this expansion. The total amount required in FY 95 is $1.8 million, and I would like to submit an attachment detailing the costs of this project.

In closing, let me again express my sincere appreciation for your time and consideration of these requests. I am pleased to answer any questions you may have.

EL PASO INTELLIGENCE CENTER, FISCAL YEAR 1995

EXPANSION FURNITURE AND EQUIPMENT REQUIREMENTS

1. System (modular) furniture.....$159,000.00
2. Installed Furniture.....$135,000.00
3. Telecommunication.....$120,000.00
4. Audiovisual.....$100,000.00
5. Security monitoring/access system.....$400,000.00
6. Other furniture.....$89,000.00
7. Electronic document/filing systems.....$73,000.00
8. Miscellaneous.....$47,000.00
9. Shredders.....$9,000.00
10. Lockers.....$6,000.00

SUB-TOTAL.....$1,138,000.00

11. Shipping Handling/Installation.....$113,000.00
12. Automated Data Processing Equipment, cabling and installation.....$520,000.00

TOTAL.....$1,771,000.00

Mr. HOYER. Thank you, Mr. Coleman.

No member in my recollection in 12 years on this subcommittee and 13 years in Congress has worked harder on the issues relating to the Customs Services on the southwest border, particularly around the El Paso area, but also the entire border with regard to drug interdiction issues and drug enforcement issues, than you have. I am pleased to have you come and testify before our committee.

Thank you.

Mr. COLEMAN. Thank you.

WEDNESDAY, MARCH 23, 1994.

THE FDA COUNCIL

WITNESS

JIM KETTERMAN

Mr. HOYER. Mr. Ketterman, welcome to the committee. We are pleased to hear from you. We will include your statement in full in the record at this time and be glad to hear from you as you give us a summary of your statement.

Mr. KETTERMAN. Mr. Chairman and distinguished Members, my name is Jim Ketterman, and I am the parent of a survivor of childhood cancer.

I am also the Executive Director of the Candlelighters Childhood Cancer Foundation, an organization which helps children with cancer and their families cope with the effects of this disease and an advocate for medical advancements which will lead to a cure for cancer or the alleviation of childhood cancer.

However, today I am here representing the FDA Council, which is a broad based coalition of voluntary health organizations, professional societies, researchers, biotech, pharmaceutical, medical device, and food companies that advocate for the Food and Drug Administration so they have some resources, proper working conditions, and equipment to carry out its mission in protecting the health of Americans.

First on behalf of our members, let me thank you for your steadfast support of the consolidation plans for the FDA, especially you, Mr. Chairman, who I know have been a major proponent of this project. The committee has done a commendable job, and we appreciate the work that it has done in the past to provide decent and modern working conditions for the employees of the FDA so that they can carry out their vital mission.

From the food that Americans eat and the medications they take, the lifesaving medical devices that are used in hospitals and clinics every day, and even the medication and feeds for farm livestock and household pets, the FDA plays an important and vital role in our daily lives.

It regulates 25 cents of $1 that Americans spend, yet its budget is only one-tenth of 1 percent of the industry that it regulates, and within the past few years, the agency has had 19 new laws expanding its responsibilities.

However, the working conditions that are needed to appropriately carry out these new mandates have not been made available. Many FDA employees work in decrepid, hazardous, cramped buildings and houses. In a recent Washington Post article, Senator Mikulski said many employees work with rotten equipment and some of these facilities are terrible, bringing together these scientists in one place that is fit for duty will increase their morale and productivity and will facilitate their ability to do their job.

The FDA Council is recommending that the agency receive $100 million to continue with consolidation of FDA facilities. A project now budgeted at $825 million, the Environmental Impact Studies have been completed and with the $274 million the agency has on hand, purchase of land in Montgomery and Prince George's Counties and design service will also occur this year.

In addition, construction of module 2 for the veterinary program could begin at the Beltsville, Maryland site. Further, the Secretary of Health and Human Services and the GSA have agreed to a revised plan that has increased the budget from $425 million proposed by the previous administration to the $825 million.

We feel it is vital that the FDA be provided with an additional $100 million for consolidation purposes when you consider that, one, the—that the agency is located in over 40 buildings, in 15 location across the Washington metropolitan area, creating unnecessary delays and expenses in accomplishing its mission.

Two, that the FDA's Center for Biologics and Evaluation will be required to move off the NIH campus in seven years, and three, that the FDA facilities are appalling. It has become increasingly difficult to attract the caliber of employees the FDA needs to perform its mission.

Building 8, which is situated next door to the Department of Health and Human Services in downtown Washington, D.C. has air intake vents next to three exhaust outlets for the incinerator, chemical and research waste vents—this toxic air is simply rerouted through the building.

Better health and stronger competitiveness are important issues for all Americans today. In the same Washington Post article, Senator Mikulski said we need to be competitive in bringing new drugs to the market faster, but now we are often stymied getting things through the FDA, and a 1991 study concluded that because of the fragmentation of the FDA's facilities, FDA's review of premarket applications for medical devices, biological products and food additives took longer and were of lower quality.

In 1992, the Commissioner of the FDA, Dr. Kessler, said the FDA's seal of approval tells consumers if marketed medical products are safe and effective. But if conditions do not improve, the equipment the FDA employees are forced to use remain antiquated. The highest standard of employee cannot be attracted to the FDA.

If the speed and quality of the work deteriorate, how long will Americans be able to rely upon the FDA's seal of approval. We believe that our funding recommendation of $100 million will speed up this necessary program.

We understand the severe budget constraints which exist presently, but we also believe that now is not the time to abandon the resource needs of this very important health agency.

Thank you, for your continued support and your consideration of our recommendations.

[The prepared statement follows:]

The FDA Council

Candlelighters Childhood Cancer Foundation

The Upjohn Company

The National Allergy and Asthma Network

Alliance for Aging Research

American Medical Association

Merck and Co., Inc.

American Academy of Allergy & Immunology

Pfizer Inc

Leukemia Society of America

American Veterinary Medical Association

Joint Council of Allergy & Immunology

Siemens

Cambridge Biotech Corporation

Warner-Lambert Company

American Society of Nephrology

Sandoz Corporation

American Society of Tropical Medicine and Hygiene

Nestlé USA, Inc.

National Multiple Sclerosis Society

Monsanto Company

IMMUNO-U.S., Inc.

Arthritis Foundation

Glaxo Inc.

American Social Health Association

Cystic Fibrosis Foundation

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c/o Capitol Associates, Inc.
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STATEMENT OF THE FDA COUNCIL

BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT

ON BEHALF OF FUNDING FOR CONSOLIDATION OF THE FOOD AND DRUG ADMINISTRATION

MARCH 23, 1994

Introduction

Mr. Chairman, my name is Jim Kitterman, Executive Director of the Candlelighters Childhood Cancer Foundation and I am here today representing the FDA Council. I appreciate the opportunity to testify.

The FDA Council is a broad based coalition which represents health voluntary organizations, professional societies, researchers, biotech, pharmaceutical, medical device and food companies, that advocate for the Food and Drug Administration. These allies have come together to advocate for the Food and Drug Administration (FDA) so that it has the resources, proper working conditions, and equipment to carry out its mission of protecting the health of Americans.

Let me state first, on behalf of our members -- thank you for your steadfast support of the consolidation plans for the Food and Drug Administration. Your efforts to provide decent and modern working conditions for the employees of the FDA so they can carry out their vital mission of public health protection has not gone unnoticed. This Committee has done a commendable job and we appreciate the work you have done in spite of very tough budget constraints. The FDA has made great progress in the consolidation effort but much more work needs to be done -- and it needs to be done quickly as the clock is ticking. With your leadership, we are confident that you will do what it takes to secure a decent work environment on a consolidated campus for this vital public health agency.

Within the past few years, the agency has had 19 new laws expanding its responsibilities, yet, the working conditions that are needed to appropriately carry out these new mandates have not been made available. Many FDA employees work in decrepit, hazardous, and cramped buildings and offices causing low moral and high turnover rates, particularly within the areas that require a medical or science background. Many employees are using equipment that is considered ancient for the 20th century -- never mind that we are entering the 21st century.

Budget Request

The Council recommends that the agency receive $100 million to continue with consolidation of FDA facilities -- a project now budgeted at $825 million. The environmental impact studies have been completed and with the $274 million the agency has on hand, purchase of land in Montgomery and Prince George's Counties and design services will occur this year. In addition, construction of Module II for the veterinary program could begin at the Beltsville, Maryland site.

Further, the Secretary of Health and Human Services (HHS) and the General Services Administration (GSA) have agreed to the revised plan that has increased the budget from $425, proposed in the last Administration, to $825 million.

Justification

It is important for the FDA to be provided with an additional $100 million to continue with FDA consolidation because:

- Currently the agency is located in over 40 buildings in 15 locations across the metropolitan Washington DC area creating unnecessary delays and expenses in accomplishing its mission. A unified campus will provide the environment needed for FDA's important work of protecting the public health and quick, efficient market approval of drugs, biologics, and medical devices.

- FDA facilities are in appalling condition. It has become increasingly difficult to attract the caliber of employees the FDA needs to perform its mission, especially with respect to drug and medical device product review.

- The Agency must begin construction as soon as possible as the Center for Biologics and Evaluation must move off the NIH campus in 7 years.

- A 1989 study concluded that because of the fragmentation of the FDA's facilities "the FDA reviews of pre-market applications for medical devices, drugs, biological products, and food additives took longer and were of lower quality."

- The FDA's aquaculture research laboratory is in a converted swine barn built in the mid 1930's.

- Building 8, which is situated next door to the Department of Health and Human Services in downtown Washington D.C., has air intake vents next to three exhaust outlets for the incinerator, chemical and research waste vents -- this toxic air is simply re-routed through the building.

- A 1989 GAO Report stated that "FDA laboratories continue to have serious problems with electrical, heating and cooling, and waste disposal systems."

From the food Americans eat, to the medications they take, to the life saving medical devices that are used in hospitals and clinics everyday, even the medications and feeds for farm livestock and household pets, the FDA plays an important and vital role in our daily lives. In fact, the FDA regulates 25 cents of every dollar Americans spend -- over $960 billion worth of products. Yet, the FDA budget is only 1/10 of one percent of the industry it regulates and its employees work in facilities that are out of date and in decrepit condition.

With the project proposal now budgeted at over $825 million, the FDA Council believes that its funding recommendation of $100 million will be necessary to keep this necessary program on track. The Council understands the severe budget constraints which exist presently, but it also believes that now is not the time to abandon the resource needs of this important health agency.

The time is now to strengthen the FDA for better health for all Americans. Health is a top priority for all of us -- we must recognize that the FDA is part of the health puzzle that provides quality care, treatment, and cures to consumers. It is only fair that this important partner in the health of our nation has decent and safe working conditions for its employees.

Mr. HOYER. Thank you very much, Mr. Ketterman and thank you for your kind words. This is a project which as you have pointed out the Chair believes is a very important one.

We have had a lot of negotiations getting to this point and we look forward to this project continuing. I know Mr. Tobias was particularly glad to hear you say we needed proper working conditions for our employees, which clearly we do, and I am sure you take note of that.

Thank you.

WEDNESDAY, MARCH 23, 1994.

NATIONAL COORDINATING COMMITTEE FOR THE PROMOTION OF HISTORY

WITNESS

PAGE PUTNAM MILLER, Ph.D., DIRECTOR

Mr. HOYER. Dr. Miller, we are pleased to hear from you. We will include your statement in full in the record at this time and be glad to hear from you as you give us a summary of your statement.

Ms. MILLER. I think I should begin by putting my Maryland credentials in the program. I did my graduate work at Maryland. I am pleased with Archives II being there. It will be great for the history. I am here to speak on behalf of the National Archives and the National Historical Publications and Records Administration.

As you know, the administration has requested almost a $5 million increase for the Archives, but when you really examine that, you know that about $12 million of their budget is earmarked this year for—to combine with other funds for the $29 million that is needed annually for the construction cost of Archives II.

So even though there is an increase of $5 million in the President's request, there are several cuts that are fairly significant. There is a $2.4 million cut in personnel cost in the Archives budget. There is a $1.7 million cut in administration, and you said at the end of the agency hearing for the National Archives last Wednesday that agencies are asked to do more with less, and they have been asked to do that for over a decade, and there finally comes a point at which hard choices have to be made, and I represent a coalition of historical and archival organizations, and we feel that very hard choices that the—if the public were really aware of them, they would not like being made regarding the National Archives.

One of these, and I will divide these into three areas. The first is reference. As you know, Archives II is going to have a beautiful facility, but that gorgeous central search room will not be open for quite awhile because they will not have sufficient reference staff. They will be using smaller rooms for awhile.

To expect an agency to add—to double its space for reference and not to have any increase in staff and, in fact, to have a decreasing staff, is just very unrealistic. I realize that the time of the budget cuts comes at the same time as the opening of Archives II, but I think we do have to be realistic about what this means.

For a research facility, it is just like a university, you depend on quality staff, and if that quality staff isn't there to provide reference, it doesn't matter how beautiful the building is or how state of the art it is, because the records that are going to be at Archives II, if they were all put on a shelf, would stretch from here to Ann Arbor, Michigan. I don't know whether I should mention Michigan today, but that is a long way, and to think that there are that many documents, and even the most experienced researcher going in will not be able to locate the record that they want to use without the assistance of an experienced archivist.

We are already hearing a lot of concerns about reference at the National Archives, but we know, because we know this staff. They are wonderful staff. They are hard working, that they are just stretched too thin.

So I want to make it clear. It is not that the Archives reference staff that is the problem. It is just that there are not enough of them.

A second area we are concerned about is appraisal. A lot of people don't really understand what appraisal is, but the Federal Government creates so many millions and trillions of documents. Only 3 percent of those are earmarked for historical value and saved. Now, you have to have experience——

Mr. HOYER. Most Americans would say that is an exceedingly high percentage of the documents that you are referring to.

Ms. MILLER. But the 3 percent that are saved, you need experienced archivists working with agency personnel so they will know which documents to save. This is done through the development of schedules.

Now, at the hearing, the agency hearing, there was reference to a strategic plan that the Archives has worked out, but even on their strategic plan, they will not have schedules for which records to retain and which to destroy for all of the agencies until the year 2000, and I don't think that considering the cuts—and that projection was a year ago, so I think that these added cuts will just mean that for historians, as well as citizens that want the documents to be saved so that there is accountability of what happened in an agency, you have no accountability if you don't have the right documents.

So saving the right documents is really crucial, and I have said before in testimony that there are seven people on the staff in the Alabama State Archives that work with agencies in the State, and in the Federal Government there are only about 20.

So how are you expecting 20 people to work with all the agencies to figure out what documents need to be saved? And so we are recommending an additional $3 million in that very, very crucial area.

And then finally, for the National Historical Publications and Records Commission, they are slated for $4 million. Now, this is the one place in the Federal Government that there is aid to historical organizations, to State Archives, to all sorts of groups that are wanting to save historical records, and so across the country, there are important records that are being stored in inadequate facilities or cannot be—are not described adequately so they can't be used, and it is the NHPRC that makes these grants available.

I was really appreciative of Mr. Lightfoot's questions at the agency hearing and mentioning how the grants had meant so much to Iowa during the time of the floods, and so I think that we need to realize how important that is, and we are asking for level funding for NHPRC so that it would be $5.25, which is what it currently has, instead of having to experience a 23 percent cut, but we want to be sure that that is an addition and not to come out of the National Archives budget, because the National Archives already is having to cut its reference and its appraisal staff.

You may know the National Archives is reducing its research hours, and so they are already cutting back in many ways, and I think it is an agency that has tried to do more with less for such a long time and then we certainly have with NHPRC, they have had a wonderful long-range plan, they are trying to do more with less, but there comes a point at which you have to have the money to do your legislative mandate.

So I hope you will consider this. So what we are asking for the National Archives is $206 million which would be a $5 million increase over the President's request.

[The prepared statement follows:]

FOR THE PROMOTION OF HISTORY

WASHINGTON, DC 20003/(202) 544-2422

Page Putnam Miller
or

Members
American Historical Association
Organization of American Historians
Society of American Archivists
Western History Association
Phi Alpha Theta
Southern Historical Association
Society for Military History
Society for Historians of American Foreign Relations
Society for History Education
ABC-CLIO
Coordinating Committee on Women in the Historical Profession–Conf. Group on Women's History
History of Science Society
Society for the History of Technology
American Political Science Association
Berkshire Conf. of Women Historians
Council on Peace Research in History
Immigration History Society
American Association for State and Local History
Conference Group for Central European History
Women Historians of the Midwest
Polish American Historical Association
Agricultural History Society
American Library Association–Library History Round Table
Federation of State Humanities Councils
Society for History in the Federal Government
National Council on Public History
al Archives Assembly
ican Association for the History of Medicine
Association for Documentary Editing
Midwest Archives Conference
National Association of Government Archives and Records Administrators
Federation of Genealogical Societies
Oral History Association
Mid-Atlantic Regional Archives Conf.
American Society for Legal History
American Studies Association
Council on America's Military Past
Economic History Association
History Associates, Inc.
Institute for Historical Study (San Francisco)
New England Archivists
Society of Georgia Archivists
Society for Industrial Archeology
Southern Association for Women Historians
American Council of Learned Societies
Community College Humanities Association
National Genealogical Society
Urban History Association
Western Association of Women Historians

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Testimony of
Page Putnam Miller, Director of the
National Coordinating Committee for the Promotion of History

Before the

Subcommittee on Treasury, Postal Service, and General Government of the Appropriations Committee
of the
U.S. House of Representatives

on
March 23, 1994

I am Page Putnam Miller, Director of the National Coordinating Committee for the Promotion of History, a consortium of fifty historical and archival organizations. Mr. Chairman, on behalf of the NCC member organizations and particularly the American Historical Association, the Organization of American Historians, and the Society of American Archivists, I thank you for the opportunity to come before this committee.

I am here today to request funding for FY'95 that will enable the National Archives and the National Historical Publications and Records Administration to fulfill their legislative mandates. We are all aware that the President is calling on all federal agencies to trim their budgets in an effort to bring the mounting budget deficit under control. These cuts come at a most unfortunate time for the National Archives. The National Archives has for the past decade postponed addressing many problems in its ability to accomplish its core mission of identifying, accessioning, describing and servicing the historical records of the federal government. In addition to many neglected problems, there is an urgent need for the National Archives to provide leadership to federal agencies that are increasingly relying on computer instead of paper records. And to further complicate the situation for the National Archives, additional funds are required to open Archives II.

President Clinton has requested $200.898 million for the National Archives for FY'95. This is an increase of just over $5 million from the $195.482 million FY'94 budget. The Administration's request, however, does not provide funding for desperately needed appraisal and reference staff. Furthermore, the proposed cut of 23.8 percent in the National Historical Publications and Records Commission's grants will sharply reduce the effectiveness of this small but important program. The President's request does increase the Archives' budget; however, this increase is earmarked for the

additional $12 million needed to meet the $29 million annual payment on the construction loan for Archives II, the new research facility in College Park, Maryland. The FY'95 budget actually reflects a $2.4 million reduction in personnel expenditures and a $1.7 million reduction in administrative expenditures. The President's call to all federal agencies to trim their budgets comes at a most unfortunate time for the National Archives, as it opens Archives II.

In your budget negotiations I urge you to consider particularly the budget needs in three areas:

First, for the National Archives to successfully operate Archives II, an additional $1 million will be needed for reference staff. With the opening of Archives II, the National Archives will double the research facilities of NARA. It is unrealistic to expect these records to be adequately serviced without an increase in reference staff. The shortage of staff has already required NARA to reduce the hours that research rooms are open. Just as a university is judged by the quality of its faculty, the reputation of the National Archives as a major institution for research rests in part on the ability of its staff to provide quality research assistance. The immensity of Archives II's holdings -- equivalent to a long shelf of records that stretches from Washington to Ann Arbor, Michigan -- can easily intimidate the most experienced researches. In dealing with the complex and voluminous records of the National Archives, often with inadequate finding aids, researchers frequently must rely on reference staff. Since 1982 staff cuts at the National Archives, the National Archives has been repeatedly told by the Administration and Congress to do more with less. After twelve years of this starvation diet, during which time the National Archives received many more records and responsibilities, there comes a point at which service is seriously impaired. For the state of the art building, Archives II, to also be a place with sufficient archivists to service the records, it will be critical that more funding is available for reference staff. Our recommendation is for an additional $1 million.

Second, I urge adequate funding for one of NARA's most important tasks, the appraisal of records to determine which records merit preservation and which should be destroyed. Unless increased staff are added to enable NARA to work more closely with agencies, records that provide adequate and proper documentation of federal policies and activities will be lost. Currently only forty NARA staff work on records appraisal. At least 56 more staff are needed for this crucial work at a cost of $3 million. Currently NARA has only nominal contact with federal agencies and provides little support in identifying, scheduling and transferring records. Many appraisal archivists now have to juggle the needs of twelve or more agencies. However, the appraisal archivists are the primary liaisons with agencies concerning records management programs. The appraisal archivists assist and guide agencies in the development of schedules that determine which records will be destroyed and which ones will be retained. This important intellectual process determines the life and death of a record. Most modern governments, including the United States, permanently retain only about three percent of all records created. Thus it is crucial for the National Archives to work with agencies in as careful and thorough a way as possible to determine which records reflect the most important things about how an agency functions and how it fulfills its mandate. The accountability of government to its citizens

depends on adequate documentation of government policies and activities. Appraisal of records is too crucial a part of the National Archives' legislative mandate to allow this work to be postponed because of inadequate funding. The National Archives' strategic planning document has stated that with the current level of funding and staff it will be the next century before all unscheduled agency records have been appraised and their schedules implemented. We find this unacceptable.

The third issue I wish to discuss is funding for the grants program of the National Historical Publications and Records Commission. The NHPRC has a significant task and yet they have not had the needed funds to accomplish their mandate. While the National Archives concentrates on federal records, the NHPRC helps archivists, documentary editors, and historians all over the country who are preserving and making available non-Federal records of exceptional historical significance.

The National Historical Publications and Records Commission, created in 1934 as part of the National Archives, makes more than 100 grants each year to institutions across the country to preserve historical records, publish historical papers, and make historical materials more accessible. Many records that document our history are deteriorating for want of adequate care. Others go unsurveyed and hence disappear. Numerous collections are minimally accessible for want of descriptive cataloging and finding aids. NHPRC has an outstanding record of making grants to edit and publish historical documents, to develop archival programs, to promote the preservation and use of historical records, and to support a wide range of other activities relating to America's documentary heritage. While the National Archives concentrates on federal records, the NHPRC helps archivists, documentary editors, and historians all over the country who are preserving and making available non-Federal records of exceptional historical significance.

Although the NHPRC grants program is authorized at a level up to $10 million, it is currently receiving $5.25 million. Meanwhile, the demand for NHPRC grants is increasing. NHPRC grants have resulted in major matching funds from private sources which would not have been available otherwise. Federal funds ensure potential backers that the projects are of genuine significance and capably staffed and organized. Through this model cost-sharing program in which the average non-Federal contribution is almost 50%, NHPRC has efficiently used federal leverage to preserve our documentary heritage.

The use of documentary editions by historians, film makers, and biographers transmits to a wide audience historical documents that help to provide the framework for a more comprehensive and accurate understanding of this nation's past. A review of the footnotes of two widely acclaimed books -- Battle Cry of Freedom by James McPherson and Eric Foner's Reconstruction: America's Unfinished Revolution -- reveals substantial use of the NHPRC-sponsored project Freedom: A Documentary History of Emancipation. Based on documents from the holdings of the National Archives, the Freedom volumes make available to scholars selected documents from our past that had previously been buried within twenty enormous record groups at the National Archives. These volumes have a most important multiplier effect.

For all of these reasons, I hope that you will be able to increase the funding of NHPRC grants by $1.25 million for a total of $5.25 million in FY'95.

In closing, let me restate that in FY'95 the National Archives needs $5 million in additional funding for a total of almost $206 million. $1 million would be slated for additional reference staff, $3 million for appraisal work, and $1.25 million for NHPRC grants. Thank you for this opportunity to share with you the concerns of the historical and archival professions.

Mr. HOYER. Doctor, thank you very much for your testimony. It was very good and very pointed, and I think very appropriate. We appreciate it.

The committee is going to take a two or three minute recess and then I am going to have to decide what I am going to do. I have got a slight problem. Something has happened on the Floor with reference to the Buyout bill which I am very interested in, as probably most of you in this room know.

So I am going to take a recess and I will find out what is going on.

[Recess.]

WEDNESDAY, MARCH 23, 1994.

NATIONAL TREASURY EMPLOYEES UNION

WITNESS

ROBERT M. TOBIAS

Mr. HOYER. I will now reconvene the hearing and call Mr. Robert Tobias, who is the President of the National Treasury Employees Union, one of the most distinguished and able leaders of our Federal employee unions.

It is always a privilege to have him with us and his very able assistant who is a terrific person to work with, and does a lot of good work on behalf of Federal employees. We welcome her as well.

Mr. TOBIAS. Thank you, Mr. Chairman.

Mr. HOYER. Negotiations seem to be getting rougher in this partnership setting.

Mr. TOBIAS. Yes, the bruises around the bottom of the feet instead.

Mr. HOYER. I was referring to the President's.

Mr. TOBIAS. Yes. I didn't realize that tennis was a contact sport.

Mr. HOYER. We will be glad to include whatever statement you have in the record and—we will include that in the record, and you will—we will be very pleased to hear you give a brief synopsis of this report. But we will include it in the record.

Mr. TOBIAS. Thank you, Mr. Chairman. I want to focus on three issues, the IRS, U.S. Customs Service, and pay.

And in each of these instances, we think that more ought to be allocated, but the good news is that our suggestion—we have suggestions on how that can be done without increasing the allocation from the budget.

With respect to the IRS, I start with the proposition that the IRS is primarily responsible for nurturing and preserving voluntary compliance, and the IRS is responsible for generating 90 percent of the $1.6 trillion budget submitted by President Clinton.

To be successful with voluntary compliance, the IRS needs a combination of increased compliance activities and educational effort to increase voluntary compliance. Currently voluntary compliance is at 83 percent with a stated goal of 90 percent.

Every 1 percent increase in voluntary compliance yields between $8 and $10 billion additional revenue.

Mr. HOYER. $8 to $10 billion?

Mr. TOBIAS. $8 to $10 billion, and I think that we can increase voluntary compliance only through a combination of increased efficiency, increased education, and increased compliance activities.

On the budget submitted by the President standing alone is inadequate. It would reduce the work force by 3,100 employees in key functions, examination, collection, taxpayer services and document matching.

Now, the President's budget standing alone leads to predictable results. The number of audited returns drops from 1.5 to 1.3 million, recommended taxes and penalties fall from $23 billion in 1993 to $21.7 billion in 1994, and $21.5 billion dollars in 1995.

The accounts receivable inventory in terms of the number of cases, and in terms of the dollar value increases.

With respect to document matching, it falls from 2.7 to 2.5 million, and the amount of assessments drop from 1.5 to 1.2 million, and the number of unanswered calls will rise from 35.9 to 37.5 million.

So we see a substantial decline in the enforcement efforts, and I believe no increase in voluntary compliance, which has been falling for the past ten years.

Now, the TSM effort which Congress has been funding will give the IRS tremendous new efficiency and new opportunities, but they will not be realized without the additional compliance activities.

Now, what we are suggesting, Mr. Chairman, is a $405 million—$405 million per year, which will yield—which will cost $2.025 billion over five years and will yield $9.8 billion dollars.

Mr. HOYER. You are referring now to the request for a compliance initiative that has been made which was not included in the budget, but which the administration is asking be added.

Mr. TOBIAS. That is correct. That is exactly correct. We have—in the past there was a similar initiative in 1990, in 1990 which went into effect in 1991.

That initiative was projected to yield $9.7 billion over a five-year period. It has already yielded $13.6 billion or $4 billion more in the first three years of its operation.

We know that we can produce more revenue. We know that we can pay for the expenditure, and I believe it is a wise utilization of resources when you can spend 2 and get 10.

I am extremely hopeful that you will recommend the budget—that you will recommend that the initiative requested will be granted.

With respect to the U.S. Customs Service, the President and this administration——

Mr. HOYER. Mr. Tobias, before you go on to the other subjects, let me say that we have written to the full committee and made that suggestion.

Mr. TOBIAS. Terrific. I appreciate that.

With respect to the U.S. Customs Service, the President and this administration has created a very tough national trade strategy and we believe the U.S. Customs Service ought to be equipped to enforce the President's words.

Instead what we see is a drop from 31 to 25 percent in the number of high-risk containers that are examined, an increase of 86 FTEs for NAFTA enforcement, but we know that that is not going

to be enough when we anticipate the imports and the exports using Mexico and Canada improperly.

And we see an increase of 340 percent in the anti-dumping and countervailing duty cases, and we see Congress having a greater emphasis on export control. We see an increase in the rate of entry bypass, which means when you come into the—when you bring goods in, you file an entry, the amount of entries that are examined are now at about the 20 percent level, and we see a lack of accessibility of the import specialists to the trade community.

We suggest an increase of 540 inspectors in import specialists at a cost of $31.4 million, and we suggest that this funding come from an increase in the merchandise processing fee which is currently open for consideration.

We believe that by slightly increasing that fee over what is being suggested, we can fund these additional positions and, in fact, realize the President's objective.

With respect to pay, Mr. Chairman, you have been a long-standing supporter for maintaining Federal employee pay, and we are very, very grateful for the energy and the effort and most importantly, for the success. Lots of people put in energy and effort, but there is no question about the success.

Now, with respect to this year, the President has proposed—has proposed a budget of $1.4 billion. That is $1.6 million short of what will be needed to fund both an ECI and a comparability increase. If, in fact, we cut 1.5 percent of the contracts for services which currently run at $105 billion, we would be able to fund the Federal employee pay increase.

Now, we think that at a time when Federal employees are being asked to do more with less, that we ought to be able to ask those in the private sector to do more with less as well. This is not an issue of whether or not we should be inside or outside the Federal Government. This is an issue of whether or not we can squeeze 1.5 percent from $105 billion, and we think that that can be done, and we think that it ought to be done based on the reports, the recent reports from GAO.

The recent reports that OMB have done, which show that contracts that are let should not be contracted because they don't add any value to the work product of the agency, and those that are let are significantly over cost.

If you look at $105 billion in terms of FTEs, which is slightly unfair, but not totally, that would yield 2.6 million to Federal employees. We only have 2.1 on the roles today, and it is a huge expenditure that is out there which is virtually unmanaged today by the Federal Government.

So we believe that that is a source of funds and is a wise policy choice as well. We think it is important that the 1990 commitment be fulfilled with respect to both the ECI and the comparability commitment and we believe that this suggestion of how it be funded is wise and makes good sense.

Mr. HOYER. Excuse me, let me ask you, did you just indicate that $105 billion would fund 2.6 million Federal employees, FTEs?

Mr. TOBIAS. Yes. Using $40,000. It is actually about $38,500 but if you use $40,000.

Mr. HOYER. Let me ask you something and we will discuss this in greater length in the near future. You and I want to discuss it with others as well. Obviously if you add 1.6% you can make a hole in terms of comparability adjustment (ECI) or locality pay adjustment.

I am not going to ask you this for a response right now but I want you to think about it because the dilemma that we may be confronted with is that we can't get to the 3.2%.

We get to some figure between 1.6 and the full cost of both raises—no lower than 1.6% obviously. We will need to make a determination as to how that is going to be distributed. I look forward to talking to you about that. I understand that obviously if we have the 3.2%, then we don't have to make that determination, but if we don't, then we are going to have to figure out what is the best interest of the employee long term.

Mr. TOBIAS. I am not going to respond with a definitive answer, but the issue I think is very, very difficult, because the issues of those who are at special salary rates who received no pay increase last year, and if you look at people who are in the special salary rate category, you see a predominance of women and minorities who are in that category, and if we chose this year to put all of the money into locality pay, they would go two years without a pay increase. So we have that issue.

And then we have on the other side the issue of what makes sense strategically in the long term with respect to locality pay and a continuation of that process of reducing the gap and those are both, I think, extremely difficult issues to grapple with.

Mr. HOYER. That has occurred to me.

Last year, it was relatively easy because we had to get locality pay started. This year, it is more difficult, and we will have to spend some time discussing what is in the best interests and what is fair.

Mr. TOBIAS. Exactly.

Mr. HOYER. Thank you very much, Mr. Tobias and Ms. Gilman. We very much appreciate your being here.

Mr. TOBIAS. Thank you.

[The prepared statement follows:]

STATEMENT OF
ROBERT M. TOBIAS
NATIONAL PRESIDENT
NATIONAL TREASURY EMPLOYEES UNION

TO THE

SUBCOMMITTEE ON
TREASURY, POSTAL SERVICE AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS
HON. STENY HOYER, CHAIRMAN

INTERNAL REVENUE SERVICE
AND U.S. CUTOMS SERVICE APPPROPRIATIONS FOR FY 1995

HOUSE OF REPRESENTATIVES

WASHINGTON, D.C.

MARCH 23, 1994

901 E Street, N.W. • Suite 600 • Washington, D.C. 20004-2037 • (202) 783-4444

78-806 O - 94 - 5

Mr. Chairman and Members of the Subcommittee:

I am Robert M. Tobias, National President of the National Treasury Employees Union. NTEU is the exclusive representative of over 150,000 Federal employees, including virtually all employees of the Internal Revenue Service and U.S. Customs Service. On behalf of the men and women who collect the revenue of the Federal government and enforce our trade laws, I am pleased to be here today to present our Union's views on the IRS and Customs budget request for FY 1995. Let me start with IRS, then go on to Customs.

The Administration's FY 1995 Budget Request for IRS

IRS employees are mindful of the heavy responsibility they bear for administration of the nation's tax system. Our voluntary compliance system depends crucially on taxpayers' perception that IRS workers are doing a good job steering the tax system with fairness and efficiency. The budgetary challenge is how to accomplish this with a growing taxpayer population and limited resources.

I will address three things. First, the budget request for IRS proposed by the President. Second, the President's pending

legislative proposal for a 5,000 FTE revenue initiative to be earmarked for deficit reduction. Third, whether management of technological change through worker redeployment and retraining will be adequate to the task.

We believe the Administration's FY 1995 budget request for IRS would have seriously adverse consequences for the nation's tax system and should not be adopted unless combined with the 5,000 FTE revenue initiative. NTEU does not support the budget as a stand-alone measure, but as the baseline for FTE resources to be added -- resources that would conservatively generate $9.8 billion over 5 years -- the budget would pass muster because reductions in taxpayer and compliance programs would in all likelihood be restored by the initiative.

Without the initiative, the budget is sadly inadequate to the needs of a growing taxpayer population and the largely uncontrollable demand from taxpayers for assistance. The budget accepts a sharp deterioration in IRS' ability to follow up on a minimally adequate level of compliance inventories -- examinations, accounts receivable, delinquent returns, underreporter notices, and the like. It is an every day fact of life at IRS that while the computer has greatly increased the Service's ability to identify potentially non-compliant taxpayers, the percentage of cases actually worked continues to fall as the population of returns rises.

The results are portrayed in the budget statement itself. Overall, IRS would fall from 112,825 FTE in FY 1994 to 109,656 FTE in FY 1995, a reduction of 3,169. The reductions in selected major functions are as follows:

Reduction	FY 1994	FY 1995	
Taxpayer Services	8,306	8,057	-249
Returns Processing	22,211	21,563	-648
Examination	27,037	26,044	-993
International	668	655	-13
Collection	17,463	17,125	-338
Document Matching	3,674	3,469	-205

FY 1995 resource levels are even more stark when compared to FY 1993 levels:

Reduction	FY 1993	FY 1995	
Taxpayer Services	8,688	8,057	-631
Returns Processing	25,585	21,563	-4,022
Examination	29,665	26,044	-3,621
International	864	655	-209
Collection	19,257	17,125	-2,132
Document Matching	4,165	3,469	-696

Here you have a classic example of a go-and-stop budget policy -- a practice that knowledgeable observers of tax administration have routinely deplored. In FY 1993 the system was humming, then the brakes are slammed on this year and even harder the next.

The results are predictable:

* The number of returns examined drops by more than 200,000 between FY 94 and FY 95, from 1.5 to 1.3 million returns. This plunges audit coverage from 1.25% to 1.03%.

* Recommended taxes and penalties from exams falls from $23 billion in FY 1993 to $21.7 billion in FY 1994 and $21.5 billion in FY 1995 -- a potential loss of revenue that cumulates each year that the system has been stopped in its tracks. Not all recommended taxes and penalties are ultimately collected, but there is not only a substantial direct revenue loss, there is also a substantial indirect revenue loss from declining compliance associated with declining audit coverage. The $120 billion tax gap will grow faster, while IRS enforcement measures will take a smaller chunk out of the gap each year.

* The number of Appeals Officers will fall from 1,180 in FY 1993 to 1,143 in FY 1995 -- a pennywise and poundfoolish reduction, because Appeals Officers save taxpayers millions of dollars and the Service can ill-afford to make any reduction in this highly trained corps while workload levels remain as high in 1995 as in 1993.

* The number of examinations, delinquent account dispositions,

delinquent returns secured, and taxpayers assisted by the International Division will remain flat between FY 1993 and FY 1995, despite steady growth in inventories to be processed.

* In collection, the accounts receivable backlog in active inventory (the largest and most serious accounts) is projected to rise from 4.1 million to 4.6 million from FY 1993 to FY 1995 -- an increase in the backlog by a half million accounts in two years. During the same period, the number of delinquent returns investigations of non-filers will fall by 300,000, while the backlog of cases in active inventory rises by nearly 100,000. Revenue collected from taxpayer delinquent accounts actually falls (despite inflation) by $66 million. At the same time, the amount of revenue in the active inventory backlog, which is the best measure of revenue legally owed but not being collected by the government in large and serious cases, is projected to rise from $27.2 billion in FY 93 to $27.9 billion in FY 94, and to $31.9 billion in FY 1995. This represents a potential loss of $4 billion each year from now on.

* In Document Matching (Information Returns Program), the number of underreporter contacts falls from 2.7 to 2.5 million between 1993 to 1995. The number of substitute for return closures falls by nearly 200,000, and the number of

non-filer notices by 67,000. Net underreporter assessments drop from $1.5 billion to $1.2 billion, and substitute for return assessments fall from $2.1 billion to $1.8 billion. This is a total loss of $600 million annually in assessments, but the indirect impact on voluntary compliance will no doubt be even more severe.

* In Taxpayer Service, the number of taxpayers projected to be served by the backbone of the system -- the toll-free telephone -- is scheduled to rise from 35.9 to 37.5 million between FY 93 and FY 95 despite a 631 FTE cut. It is important to recognize that the number of taxpayers seeking assistance is rising each year, so that overall service level or percentage of taxpayers assisted is falling. This means more and more busy signals and more and more calls terminated without contacting an assistor -- a very unhealthy impact on voluntary compliance. A few years ago, IRS set a service level objective of 85%, but now it does not even publish the figure in its budget. We estimate that probably 4 out of 10 taxpayers who call IRS will not get through if this budget is adopted.

While these impacts on revenues and operations depict the consequences of the Administration's budget, these are by no

means the larger and more serious consequences. A stop-and-go budget projects its consequences long into the future. The impact on taxpayer attitudes, their perception of the fairness of the tax system when IRS cannot bring non-compliant taxpayers to account, can wreak incalculable damage. Whatever damages voluntary compliance entails not only an enormous loss of revenue ($7 billion for each one percent decline in the compliance rate), but has the potential of disillusioning taxpayers with the system in ways that may prove difficult to reverse.

The irony is that, with better technology, IRS has better means to identify non-compliance; what it lacks are the means to pursue and deter it. Thus, the Federal government is failing to realize full value from its investment in Tax System Modernization. Congress needs to establish an overall goal for IRS of achieving a 90 percent voluntary compliance rate, and IRS should be required to present an annual budget that moves toward that goal, not away from it as the current budget does.

This budget has important impacts on human resources:

* While a 1.6 percent pay raise beginning in January, 1995 is funded in the budget, no allowance is made for locality pay raises, career in-grade raises, or raises due to promotions. In effect, OMB has imposed a policy of requiring the Service to absorb 100 percent of such costs, which invariably leads

to reductions in FTE and program levels. To illustrate, IRS' share of the Executive Order 12839 government-wide personnel reduction in FY 1995 is 636 FTE. On the other hand, IRS loses 2,032 FTE from having to absorb all labor costs over and above the 1.6% pay raise. This results in cuts of 488 FTE in Returns Processing and Taxpayer Service, 1,300 FTE in Tax Law Enforcement, and the remainder in other functions. These cuts entail major reductions in operating programs. In periods of budgetary stringency, it is unfortunate but probably inevitable that some absorption must be imposed. But 100 percent absorption is clearly irrational, because one part of the budget recognizes theneed for program resources while another part arbitrarily takes those resources away. If a requirement for budgetary resource is recognized, it should be funded, not eliminated by a budgetary gimmick such as absorption.

* Productivity savings of 1,152 FTE are recognized in the budget as resulting from TSM. While this order of magnitude appears reasonable, it should be stressed that often such savings do not materialize, in which case program shortfalls occur. NTEU's view has consistently been that productivity savings should not be used to reduce the budget until they are realized. It is also far easier to estimate such savings

after the fact. Taking such savings into account now, 18 months from completion of budget execution, amounts to gambling with 1,152 FTE of program resources.

* We have scoured the budget high and low, but the words "education and training" do not appear in it. This category is not separately identified in the "object classification" that accompanies the budget. Past budgets have required separate breakouts for consultant contracts, public affairs, and the like. It is high time that Congress required an agency's training base, which is vital to its future, to be clearly presented. I urge you, Mr. Chairman, to become an "Education and Training" committee for the Federal agencies you oversee. Join us in calling on OMB to show clearly what education and training resources are provided in the budget, how they are utilized, and what outputs can be measured in this area. We will have more to say on education and training in the final part of my statement.

The Administration's Proposed 5,000 FTE Revenue Initiative

The President's budget contains a brief description of the proposed 5,000 FTE revenue initiative. It states as follows:

"IRS Initiative -- The 1990 budget agreement included an IRS tax compliance initiative, which provided additional funding for activities that would reasonably be expected to increase revenue collections. The Administration is considering a similar

multi-year IRS initiative-- beginning in 1995--to increase taxpayer compliance further. This initiative would add 5,000 FTEs to compliance efforts in 1995, most of whom would be used to increase the number of focused examinations of tax returns to collect more delinquent taxes, and to make more effective use of information-reporting documents.

"The cost of this program would be $405 million per year, or $2.025 billion over 5 years. The initiative will yield far more revenue than it costs over the five-year period, and would continue to enhance tax revenue after that period (assuming continued funding at the same rate.) In view of this deficit-reducing potential, the Administration would consider budgetary treatment similar to the 1990 budget agreement, under which the cost of the initiative was considered outside the discretionary caps. Under no circumstances would the Administration permit projected additional revenues to fund mandatory spending increases or tax reductions. Subsequent to the release of the President's budget, the Administration will work with the Congress to develop such an initiative. Therefore, the revenue yield and costs of this initiative are not reflected in the President's 1995 budget itself."

IRS has provided the following estimate made by Treasury's Office of Tax Analysis of the total revenue of $9.8 billion projected for the initiative:

Revenue in Billions

FY 95	FY 96	FY 97	FY 98	FY 99	TOTAL
.5	1.4	2.3	2.7	2.9	9.8

NTEU strongly supports enactment of the initiative as

requested by the President.

Overall, the initiative is expected to produce nearly $10 billion at a cost of $2 billion, or a yield-to-cost return of $5 for every dollar invested in improved compliance. There is reason to believe that Treasury's revenue estimate is probably conservative. We base this on the results to date of the FY 1991-1995 initiative, which by September 1993 had already exceeded its objective.

According to IRS' Tracking Report for the FY 1991 Compliance Initiative, the five-year goal was $9.778 billion, but through September 1993 IRS had collected $13.6 billion, thereby exceeding the goal by nearly $4 billion. Most of this exceptional performance stemmed from Counsel/Appeals closing more higher-yielding cases, accelerated closure of coordinated examination program (CEP) audits, and higher than expected yield from excise tax examinations. It is unlikely that the President's proposal will rely on the same program mix as the 1991 initiative, but experience since 1991 indicates that a well-conceived compliance initiative would be a good bet.

NTEU supports the President's proposal not only because it will reduce the deficit, and repair the gaps in the IRS budget, but because it aims at improving the overall level of compliance. There is strong evidence from IRS' tax gap, non-filer, and

accounts receivable studies that voluntary compliance needs shoring up. The indirect effect of stronger enforcement on compliance has the potential of delivering a large additional revenue yield, at least according to the results of academic studies. Most importantly, we will be strengthening and preserving one of our most important institutions, the voluntary compliance system.

Redeployment and Retraining Within IRS

Technological advance creates higher-skilled and higher paying jobs while giving IRS employees modern tools to carry out their missions. It is a fact of life that organizations must continually reinvent the way they perform their work in order to absorb the latest technology. IRS and NTEU now confront this task on a scale never before experienced. Implementation of IRS' strategic Business Vision will send organizational change cascading through the workforce, requiring redeployment to compliance activities of large numbers of workers no longer needed in customer service and processing operations.

IRS and NTEU have agreed to work together to manage change to create a highly-skilled work force with expanded capabilities to serve the taxpaying public. Central to this task is a

commitment to retraining and redeployment of those who see their jobs and career opportunities threatened by technological advance.

Workforce management requires a broad range of tools to enable an organization to acquire the mix of skills needed to do its job. Retraining and redeployment are critically important, but so is the ability to recruit from the outside by being competitive in the marketplace for technical talent and educated entry-level workers. So is the ability to offer career progression in a chosen specialty, and provide incentives to skilled workers to remain with the Service for a full and satisfying career. These and other management tools -- term appointments, directed reassignments, use of part-time and temporary workers, and many others -- are in the kit of human resource managers. All of these tools must be used together to attain the goal of a highly-skilled workforce and the right mix of occupations.

Some individuals may not be retrainable for some occupations, and this can be identified early on through performance reviews and aptitude testing. Under the Redeployment Understanding concluded by IRS and NTEU last year, other opportunities will be sought for such workers, if they are career and career conditional employees, to enable them to maintain their grades. These opportunities include further training and

extended on-the-job training assistance.

NTEU and IRS are committed to using retraining and redeployment extensively to manage change. We expect more compliance jobs to open up as the savings from TSM are redirected to the line. We will look carefully at the skill requirements of those jobs and match them with the pool of redeployable workers, using training where appropriate to ensure that the match is complete.

Under the joint Redeployment Understanding, this process of matching workers to available jobs is worked out locally, job by job and worker by worker. A successful personnel program makes its mark one individual at a time. Our Understanding provides for competitive hiring from the outside if available jobs cannot be properly filled from the pool of redeployment eligibles. But IRS and NTEU have agreed that, before going outside the Service, we will make every effort to retrain and redeploy our career and career conditional workers.

The objective is to place permanent employees into permanent positions, and seasonal employees into seasonal positions. The Understanding contains a set of principles to guide local units in implementing this. It provides for preparation of local plans

at each site with redeployment eligibles, and for recall of career and career conditional seasonal employees to allow them to remain in work status for a sufficient period of time to maintain the full range of employee benefits, including health insurance.

NTEU and IRS have agreed to develop specific site redeployment plans no later than July 1, 1994. These redeployment plans will identify how the parties will accomplish redeployment of eligible employees by January 1, 1999. The plans will maximize the use of saved grade and pay authorities, job sharing opportunities, and the part-time career act. It will utilize incentives, such as early-out retirements and resignation buyouts, authorized by the Federal Workforce Restructuring Act currently pending before Congress. IRS has agreed to an important provision which will divide early-outs and resignation buyouts equally between redeployment eligibles and other employees on a service-wide basis. Redeployment plans will provide a reasonable amount of official time to enable eligible workers to participate in career planning and counseling, including individual career assessment and aggressive outplacement assistance.

To interpret the Understanding, approve local site plans, and render binding decisions in case of disagreement, IRS and NTEU have established a Redeployment Resolution Council. NTEU and IRS each have two positions on the Council, and there will be

a neutral third party chosen by NTEU and IRS representatives.

I have previously mentioned the importance of education and training to the redeployment program because it gives us the ability to match the right skills to the right job. The Understanding states:

> "The IRS recognizes that employee training and retraining is a critical component of a successful redeployment effort and budget decisions must be made which reflect this priority." . . .
>
> "IRS and NTEU recognize there are many redeployment eligible employees who are not basically qualified for some continuing positions. IRS and NTEU will explore providing skill enhancement training:
>
> 1. Internally through the IRS Corporate Education Program
> 2. Externally from colleges and universities."

For both IRS and Customs, NTEU attaches great importance to adequate funding of the training base. Technological change on a mammoth scale is impacting both agencies, and our human resource investment must keep pace if we expect to reap full value from our technical investments. Let me turn now to the U.S. Customs Service budget request.

The Administration's FY 1995 Budget Request for the U.S. Customs Service

The President's budget provides $1.4 billion and 17,525 FTE for U.S. Customs Service salaries and expenses for FY 1995. The budget is funded in part by increasing the merchandise processing fee to raise an additional $94 million from users of Customs' services.

NTEU believes the President's budget request is inadequate to the growing demands imposed on Customs for enforcement of the Administration's trade policies. Passage of NAFTA and completion of a GATT agreement have lowered trade barriers, resulting in a million more formal entries of merchandise in 1995 -- a nearly 9 percent increase.

The Administration is using selective tariff increases to enforce its get-tough stance toward trading partners who breach their agreements or fail to open their markets to U.S. products. Enactment of a "Super-301" provision that the Administration favors will reinforce this trend. The President's non-proliferation policy places a premium on export enforcement aimed at products and technology that can be used in weapons of mass destruction.

We have a tough national trade strategy. What we need is to put muscle behind it. Let me point to some of the high-priority areas that need shoring up:

* The President's budget accepts a drop from 31% to 25% in the percentage of high-risk containers examined -- a 19 percent reduction in effort. A shift in drug strategy from tactical interdiction to demand reduction is the rationale for this change, but in our view it would be wiser not to reduce the number of Inspectors and Contraband Enforcement Teams targeted to containers, but to shift their priority to deterring commercial fraud.

* Enactment of NAFTA is an invitation to exporters around the world to use Mexico and Canada as platforms for circumventing U.S. trade restraints and gaining preferential access to U.S. markets. A strong mix of Inspectors and Import Specialists is needed to detect misclassification, misdescription, fraudulent marking, transshipment, and fraudulent claims of "North American content" of merchandise imports. The Administration's budget provides an additional $18 million and 186 FTE (including 10 Inspectors, 75 Import Specialists, 41 Investigators, and 60 Tariff and Trade Aides) for NAFTA and textile enforcement, but the large increases in trade volume and entries anticipated as a result of NAFTA will require significantly larger numbers of Inspectors and Import Specialists to process this traffic and deter commercial fraud.

* According to Customs, the number of anti-dumping and countervailing duty cases has increased to 340 percent in the past decade. There is strong incentive to circumvent these duties through misclassification, misdescription, and transshipment. After clear evidence of this was brought to light, Customs strengthened its enforcement and obtained some convictions. Anti-dumping and countervailing duty petitions have become the mainstay for protecting U.S. industries and workers from unfairly-traded products. As imports grow, we can expect the number of cases to keep pace. These duties are enforced on a case-by-case basis, depending on manufacturer, product, and country of origin. To assure effective handling of this complex workload requires more Inspectors and Import Specialists on the line, as well as in commercial fraud team.

* Congress will consider rival bills to reauthorize the Export Administration Act this year, one containing relatively tough controls on high-technology and munitions efforts proposed by the Administration, and another with weaker controls supported by business. This is a perennial debate, but advocates of strong enforcement need only point to the record of the Persian Gulf War for justification. The threat to proliferation of weapons of mass destruction remains as large as ever, and this Subcommittee has long been the bulwark of export enforcement through its funding of Customs' Exodus

program. Because of the serious national security threat, Exodus should be given a higher priority. Given the phasedown of resources from tactical narcotics interdiction, we urge the Subcommittee to consider strengthening Exodus at this time with additional Inspectors and Import Specialists.

* The Subcommittee should ask Customs for current figures on the rate of entry bypass. Bypass refers to entries that are not selected for review by Import Specialists. NTEU has long held that the bypass rate (now in the neighborhood of 80 percent) was too high and was costing the government severely in both lost revenue and failure to detect commercial fraud. Since nearly 50 percent of entries are dutiable or trade program entries, entry bypass is causing a large number of the most revenue-sensitive and trade-sensitive entries to receive only cursory review. Congress should provide additional Import Specialists to lower the rate of bypass, better protect the revenue, and strengthen trade law enforcement.

* The lack of accessibility of Import Specialists to the trade community has been a longstanding problem within Customs. The sharp growth in imports during the past decade and the small size of the corps of Import Specialists has led to

cutbacks in visits to importers' premises, pre-entry reviews, and similar informational activities that sustain voluntary compliance with the trade laws. Last year, there were only about 6,000 visits to importers' premises--an average of 5.2 visits per Import Specialist. Even after enactment of the Customs Modernization Act with its emphasis on informed compliance, only 7,000 visits in FY 1995 are planned. Under centralized entry processing, large importers will have adequate access to the Import Specialists responsible for their entries. But this leaves a large population of small and first-time importers without sufficient access to Customs' trade law experts. Of the million additional entries expected between 1994 and 1995, a large number--perhaps the majority--will be first-time importers. Experience has shown that first-time importers are not well-versed in the Customs laws and are the most error-prone in classification and valuation of merchandise. To strengthen the concept of informed compliance, Congress should provide additional Import Specialists to increase the accessibility of the trade community to expert advice on the application of the trade laws to particular importations.

We believe that Congress should provide a minimum of 350 additional Inspectors and 200 additional Import Specialists at a cost of $31.4 million in order to fund Customs at an adequate level.

Our recommendations are presented in Table 1. NTEU recommends an additional $31.4 million and 550 FTE above the President's budget request--a total of $1.429 billion and 18,075 FTE for FY 1995. We urge the Subcommittee to approve this amount.

The President has proposed amending the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 USC 58c) to increase the merchandise processing fee to raise an additional $94 million to fund Customs' commercial operations in FY 1995. Since NTEU proposes adding $31.4 million for commercial operations to the President's budget request, we urge this Subcommittee to request the Committee on Ways and Means to adjust the fees to raise an additional $125 million rather than $94 million.

We would like to call the Subcommittee's attention to the importance of an adequately funded training base to enable Customs to develop the skill mix for its many specialized functions. Customs has requested funds for a second-generation Automated Commercial System and continues to employ high-technology enforcement tools. To realize full value on these investments, Customs will need to train its people and open up new opportunities for career advancement. The Customs budget includes funds to train JUMP teams to be sent abroad to uncover

transshipment and other schemes of commercial fraud. But rather than a piecemeal review, we urge the Subcommittee to undertake a review of the training base as a whole to determine whether adequate investments are planned in Customs' human resources on a par with investments in advanced technology.

The President's budget proposes that language providing for the continuation of current services to the Customs Service be deleted. NTEU opposes such a change. The need for continued service to Customs customers is well established. If this language is deleted, it could jeopardize the level of service provided to the trade community, traveling passengers and other affected parties utilizing the Customs service.

The final issue which I would like to bring to your attention is the lack of law enforcement recognition for the important work of Customs Inspectors and Canine Enforcement Officers.

As the officers charged with protecting our borders, Customs Inspectors and Canine Enforcement Officers are routinely exposed to confrontations with the criminal element and perform important law enforcement duties. Statistical data irrefutably demonstrate that they are entitled to inclusion in the law enforcement pay and classification system. For example, Customs Inspectors and Canine Enforcement Officers perform a tremendous number of

searches of conveyances and persons. Each search is conducted to investigate possible criminal activity in accordance with established law enforcement procedures and is accompanied by all the risks and responsibilities of searches conducted by any law enforcement officer. These searches are just as important, demanding, and dangerous as the searches conducted by other Federal, State, or local law enforcement officers. As the data below indicates, Inspectors and Canine Enforcement Officers are responsible for well over half the arrests and drug seizures done by the Customs Service; yet they are not designated as law enforcement.

	FY 91	FY 92
Vessels Searched	14,161	15,089
Aircraft Searched	271,102	286,399
Vehicles Searched	8,949,073	9,491,329
Persons Searched	243,247	328,749

Statistical data also demonstrates that Customs Inspectors and Canine Enforcement Officers are responsible for a tremendous volume of criminal arrests and seizures. In reviewing the data below, "I and C" refers to the Office of Inspection and Control,

the branch of the Customs Service that includes Inspectors and Canine Enforcement Officers.

The President's budget also provides that the annual overtime cap of $25,000 per Customs Officer be eliminated. NTEU supports the elimination of this pay cap for various reasons. First, the cap seriously hinders Customs in providing necessary services to the public. Higher graded employees with more experience and skills often reach their overtime limit prior to the lower graded employee novices. The result is airports often being staffed by inexperienced personnel at the end of the fiscal year. In addition, the Customs overtime system was entirely restructured in the Omnibus Budget Reconciliation Act of 1993. Customs officers' rate of pay for overtime work was changed and these officers became eligible to earn premium pay for specific work schedules. This premium pay is included in their $25,000 overtime cap. Therefore, employees under the new overtime system actually suffer a reduction in the amount of overtime they can earn. This not only hurts the employee, but also makes it increasingly difficult for Customs to allocate its resources. Finally, the cost and time to administer the overtime cap for the Customs Service has been excessive.

FY 92 Seizure Statistics

Customs Total	I and C Total	% by I andC

Arrests	25,370	17,274	68%
NCIC Arrests	1,925	1,557	81%
TECS Arrests	817	692	85%
Heroin Seized	2,223 lbs.	1,976 lbs.	89%
Cocaine Seized	244,597 lbs.	130,254 lbs.	53%
Hashish Seized	4,046 lbs.	3,166 lbs.	78%
Marijuana Seized	462,831 lbs.	221,494 lbs.	48%
Currency Seized	$220,635,558	$81,346,409	37%
Weapons Seized	155,486	132,136	85%

In the performance of these duties, these employees are subjected to more physical assaults than FBI agents. They make more NCIC arrests than any other Federal law enforcement officer. They seize more narcotics than their law enforcement counterparts in the Customs Service's Office of Enforcement. Sadly, more Customs Inspectors have also given their lives in the performance

of their duties than their law enforcement counterparts. In light of this overwhelming evidence, there can be no question that law enforcement activities comprise the primary duties of these dedicated public servants. To conclude otherwise ignores reality.

Both the U.S. Customs Service and the Department of the Treasury, agencies with extensive criminal law enforcement responsibility and numerous law enforcement positions, recognized that Customs Inspectors and Canine Enforcement Officers should be designated as law enforcement officers for pay and classification purposes.

We believe to continue to recruit and retain an effective cadre of Customs Inspectors and Canine Enforcement Officers it is imperative that these officers be given the law enforcement recognition which they so truly deserve.

On an issue of importance to all federal employees, Mr. Chairman, I would like to thank you for your help in securing locality pay adjustments last year and ask for your help in getting federal workers their full increase for FY 95.

PAY

On November 29, 1993 the President's Pay Agent issued its annual report to the President. That report showed that based on Bureau of Labor Statistics surveys the average pay disparity between federal and non-federal workers was 27%. In some areas of the country the local pay gap was as high as 39%. The report starkly reinforced the fact that federal government workers continue to be severely underpaid.

The Administration's FY '95 budget calls for $1.1 billion to fund federal pay raises next year. This amount would provide for only a 1.6% across the board raise. The amount called for under the Federal Employees Pay Comparability Act is 2.6% across the board plus a locality adjustment equal to 10% of each locality's pay gap. The additional amount necessary to fund these raises is $1.6 billion.

We believe that Congress can easily find this much money in its $105 billion service contracting budget. In light of the fact that federal personnel costs are supposed to be cut 12%, a 1.5% cut in the huge and wasteful service contract budget is an almost painless solution to the federal employees pay funding issue.

The Office of Management and Budget released a report in January of 1994 on agencies' service contracting practices. The results of that report support our position that there is waste, abuse and inefficiency in these contracts. Here are some of the report's findings:

* The reports submitted by these agencies tended to note that significant improvements are needed to ensure that the government is getting its money's worth from service contractors.

* Cost analyses and independent government cost estimates are not performed by many agencies prior to the renewal, extension, or re-competition of existing contracts. In some instances, cost estimates are not prepared prior to entering into new contracts.

* Examples were reported where the government (based on the agencies' projections) could save several millions of dollars by performing functions directly rather than having them performed by contract.

NTEU urges you to support fully funding federal employee raises in 1995 with a 1.5% cut in the $105 billion service contract budget.

Thank you, Mr. Chairman, I'd be happy to answer any questions you may have.

TABLE 1. U.S. Customs Service Appropriations for FY 1995
President's Budget Request and NTEU's Recommendation
Salaries and Expenses
(Dollars in Thousands)

	FY 1994 Authorized		FY 1995 Budget Request		NTEU Recommended Additions		NTEU's Recommended Appropriation For FY 1995	
	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE
Inspection Control	556,748	8,621	561,352	8,597	+19,985	+350	581,337	8,947
Enforcement	472,487	5,031	460,440	4,788	--	--	460,440	4,788
Tariff & Trade	329,489	4,002	376,491	4,140	+11,420	+200	387,911	4,340
TOTAL	1,358,724	17,654	1,398,283	17,525	+31,405	+550	1,429,688	18,075

WEDNESDAY, MARCH 23, 1994.

SCHILLER INSTITUTE

WITNESS

WEBSTER TARPLEY

Mr. HOYER. Our next witness is Mr. Webster Tarpley with the Schiller Institute.

Mr. TARPLEY. Mr. Chairman, I would like to, first of all, thank the subcommittee for this opportunity to testify, and I will proceed, if I may, by briefly summarizing a longer witness statement.

Mr. HOYER. We will appreciate that as well.

Mr. TARPLEY. It is my duty to direct the attention of the subcommittee to a large-scale campaign organized primarily by forces from outside of the United States for the purpose of subverting and overthrowing the Presidency of the United States and our Federal Constitution.

This question is immediately relevant to the subcommittee's purview of appropriations oversight because of the subcommittee's responsibility for the Treasury and for the Secret Service, the United States intelligence agency which perhaps more than any other is charged with the responsibility of protecting the Presidency.

The seditious foreign plot to which I refer is the so-called Whitewatergate affair. Although the United States public is aware of this fact via massive media attention, the Whitewatergate and Madison Guaranty and related issues in this country was prepared and preceded by a barrage of vilification and abuse against President Clinton and his wife which was conducted in the daily press of the United Kingdom, especially in the London Daily Telegraph and Sun Telegraph.

Everyone remembers the role the Washington Post played as the flagship of the Watergate scandal two decades ago. This time, the publication taking the point worldwide is the London Sunday Telegraph and Daily Telegraph. The current equivalent of reporters Woodward and Bernstein, to carry the analogy a little further—and they come complete with multiple deep throats—is a self-styled stringer for the London Telegraph newspapers who makes no secret of his close relations with MI–6, Ambrose Evans-Pritchard. And Ambrose Evans-Pritchard has, in effect, called for the ouster of President Clinton before the end of 1994.

Especially since congressional hearings into this matter may soon be held, we think it is imperative that the United States intelligence community, above all the Secret Service, tackle the job of investigating these London-centered international networks without whose initiating and indicting role the entire Whitewater affair could never have taken place. We, therefore, request the subcommittee provide whatever supplemental appropriations might be necessary to carry out this urgent task.

The London Daily Telegraph and Sunday Telegraph are owned by the Hollinger Corporation of Canada that was previously called the Argus Corporation now headed by Conrad Black. As my friend Lyndon LaRouche pointed out, Hollinger can be traced back to the British Special Operations Executive, also based in Canada, and

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founded during World War II when it was set up by Lord Beaverbrook and Sir William Stevens in the so-called Intrepid.

Hollinger is one of the largest press empires. Persons affiliated with this complex include Lord Carrington, Lord Jacob Rothschild, Lady Thatcher, Sir James Goldsmith, the banker Rupert Hambro and Henry Kissinger.

The leading writer for the Sunday Telegraph is Sir Peregrine Worsthorne, also a member of the editorial board of Emmett Tyrell's American Spectator magazine which published the scurrilous troopergate story last December.

The Washington Bureau Chief of United Spectator is Tom Bethell, son of Lord Nicholas Bethell, a top figure of British intelligence operations in the Balkans and elsewhere. The American Spectator may be considered a satellite of these Hollinger interests.

The so-called neoconservatives in this country, many grouped around the American Spectator, appear as the most enthusiastic backers of Whitewatergate. They are the leading fellow travelers, so to speak, of British intelligence. Ruling banking and oligarchical circles in Britain long have believed that their power depends on their special relationship with the United States, understood as British domination of the most vital United States foreign and economic policies as seen during the Gulf War most recently.

These circles demand that President Clinton remain on the old Thatcher-Bush policies, in effect putting his Presidency on automatic pilot. London has been alarmed by last December's questioning openly by President Clinton and Vice President Gore of the wisdom of any further IMF shock therapy for Russia. London was outraged by Clinton's support of the peace process between Israel and the PLO in the Middle East. These and other profound policy differences provide the background for the attempt by hostile foreign powers to overthrow a duly elected president and to subvert our Constitution.

We would, therefore, request the committee provide all possible support, encouragement, prompting for the Secret Service and other intelligence agencies in the effort to investigate the central role of British intelligence networks in creating Whitewatergate, and that would, of course, include possible violations of the internal security laws of the United States.

Thank you, Mr. Chairman, for your attention.

Mr. HOYER. Thank you very much. We appreciate your testimony.

[The prepared statement follows:]

"BRITISH INTELLIGENCE BEHIND WHITEWATERGATE: A JOB FOR THE SECRET SERVICE"

TESTIMONY

by

WEBSTER G. TARPLEY

President of The Schiller Institute

To

THE SUBCOMMITTEE ON TREASURY,
POSTAL SERVICE AND GENERAL GOVERNMENT

of

THE COMMITTEE ON APPROPRIATIONS

Wednesday, March 23, 1994

I would first of all like to thank the members of the subcommittee for this opportunity to testify. I would like to address a very serious threat to the national security of the United States in the form of a concerted international campaign to overthrow our current President and permanently weaken the institution of the presidency in a way which would clearly undermine the integrity of our federal Constitution. The relevance of this issue to the subcommittee's purview of appropriations oversight involves the Secret Service of the Department of the Treasury, and specifically the Secret Service's mandated task of protecting the President and the institution he embodies. I wish to call these matters to the subcommittee's attention because they represent challenges for the Secret Service which may necessitate additional funding if they are to be dealt with efficiently and effectively.

My starting point is that the ensemble of events which may be grouped under the heading of Whitewatergate is not solely or even primarily a phenomenon of United States politics and public opinion. It rather constitutes the attempt by a foreign power to destabilize and overthrow the constitutional government of our country. The foreign nation which has been the prime mover in this entire affair and which has taken the lead in escalating the scandal at every critical turn has been the United Kingdom. What we know today as Whitewatergate could near have happened without a series of violent press campaigns attacking the American presidency that have been carried in the leading newspapers of London, above all the "Daily Telegraph" and "Sunday Telegraph." The "Washington Post" and the "New York Times" have in the main followed the lead of the British newspapers and so-called investigative reporters in their attacks on Clinton. To put the question in a slightly different way: everyone remembers the role of the "Washington Post" as the flagship of damaging revelations during the original Watergate affair. This time around, the flagships of scandal and innuendo are the London "Daily Telegraph" and "Sunday Telegraph." To carry our analogy one step further, we can say that the "Woodward and Bernstein" of the current brouhaha is one Ambrose Evans-Pritchard, an investigative reporter for the London "Telegraph" newspapers and a person who makes no secret of his close relations with the British Secret Intelligence Service, also known as MI-6. Whether Evans-Pritchard is in fact himself an agent of MI-6 is one which the American Secret Service and our other intelligence agencies should urgently answer.

I submit that it is only because of the propaganda drumbeat coming from London that the Whitewatergate scandal has come far as it has, all on the basis of not one single colorable allegation of any crime having been committed.

The pattern observable during the unfolding of the Whitewater scandal was summed up by an article published in another British publication, the "London Economist," during the first week of March. The "Economist" is of course the house organ of the powerful Rothschild banking interests. Under the headline "Shhhh: the press and Whitewater," the "Economist" compared the crisis of the Clinton presidency to the 1936-37 crisis in the British royal family which preceded the abdication of King Edward VIII in connection with his romance with the American divorcee Mrs. Wallis Simpson. In 1936, argued the "Economist", there existed an accord among the Fleet Street barons of the British press which prevented publication in Britain of the main facts about the King's activities and their implications for the monarchy. In those days it was therefore mainly the American newspapers whose reports fed the scandal that ultimately led to Edward's abdication. Today, the magazine continued, the roles are curiously reversed, with the American newspapers seeming "peculiarly inhibited" in their "lackluster coverage" of Whitewatergate, while the London press and especially the "Telegraph" are taking the lead in publishing damaging revelations. The "Economist" refers specifically to allegations made against President Clinton by a former Miss Arkansas named Sally Perdue, whose story was generally not given credence by the American media, but who enjoyed an avalanche of sensational publicity in London. The implication of all this is clear: Clinton, like Edward, will be brought down, in this case thanks to a campaign of vilification spearheaded by the London press.

Similarly, R. Emmett Tyrell, Jr., who is part of the London operation against Clinton, wrote in the London "Sunday Telegraph" of January 23 that the story of this former Arkansas beauty queen had "become front-page news all over the United Kingdom and in Australia" at a time when nobody in the United States except for Rush Limbaugh and the "Washington Times" would touch it. Tyrell added that "British papers have been reporting other acts of violence relating to scandals associated with Clinton's name."

The "Sunday Telegraph" makes no secret of its commitment to overthrow the Clinton presidency. On February 6, Ambrose Evans-Pritchard concluded a trilogy of "get Clinton" articles with the following comment: "The ordeal will not last forever. Indeed, the way documents keep popping up in Arkansas, Bill Clinton may be forced from office before the year is out."

Who controls the London "Daily Telegraph" and "Sunday Telegraph"? These papers are owned by the Hollinger Corporation, an international media conglomerate headquartered in Toronto, Ontario, Canada. The Hollinger Corporation is the descendant of the Argus Corporation, which was an entity created by the British Special Operations Executive (SOE) during the World War II period. The owner of the Hollinger Corporation is Conrad Black, who was a protege of E.P. Taylor, the head of the Economic Warfare branch of the SOE during the war. Hollinger owns the London "Telegraph" papers, the "Jerusalem Post," the Canadian "Financial Post," and the "Caymanian Compass." Hollinger owns about 80 newspapers in the United States, and has just acquired the "Chicago Sun-Times."

The Hollinger board of directors includes Conrad Black, Peter Bronfman (chairman of Edper, the troubled real estate conglomerate), R. Donald Fullerton (CEO of Canadian Imperial Bank of Commerce), and Paul Reichmann (a principal of another bankrupt real estate empire, Olympia and York). Allan E. Gottlieb, the current Canadian Ambassador here in Washington, is also a director.

Hollinger also maintains a body it calls its "International Advisory Board." Here we find Lady Thatcher, Lord Peter Carrington, Lord Jacob Rothschild, and Sir James Goldsmith. American members of this body include Dwayne Andreas of Archer-Daniels-Midland, former Secretary of State Henry A. Kissinger, former NSC Director Zbigniew Brzezinski, "National Review" editor William F. Buckley, former Defense Department official Richard Perle, former Federal Reserve chairman Paul A. Volcker, and columnist George Will.

The "Daily Telegraph" is a wholly owned subsidiary of Hollinger. There is also a board of directors of the "Daily Telegraph" as such. Here we find Rupert Hambro, the managing director of Hambro Bank, a City of London merchant bank with very close historic connections to the British intelligence community. During World War II, Hambro's provided many of the leading figures for the Special Operations Executive. Another director of the "Daily Telegraph" is Henry Keswick, the chairman of Jardine-Mathieson, historically a British Empire trading company based in Hongkong which has been implicated in international narcotics trafficking since the time of the first Opium War in the 1840's.

The most important writer for the "Daily Telegraph" is Sir Peregrine Worsthorne, a virulent racist and anti-American ideologue. Sir Peregrine is the step-son of Sir Montagu Norman, who was the director of the Bank of England during the 1930's, and who supported Hitler's seizure of power in Germany.

Ambrose Evans-Pritchard, the would-be Watergator, has admitted to in conversation with investigative journalists that he has been exchanging information with the British Secret Intelligence Service and specifically with MI-6 over a period of years. Pritchard was posted to Managua, Nicaragua for a three-year period during the 1980's. During this time Pritchard says he was friendly with the Nicarguan contras as well as to guerilla movements operating in El Salvador and Guatemala. Pritchard reported to the political attache of the British Embassy, whom Pritchard knew to be an agent of MI-6. Pritchard describes these practices as "swapping information."

Pritchard claims to believe that the late Vincent Foster was murdered by a hit team dispatched by the Clinton White House. The hit team, in his view, then made a maladroit effort to make the death look like a suicide. According to Pritchard, anyone who has any knowledge of the various nefarious activities carried out by Bill and Hillary Clinton is in danger of being eliminated by a sinister "Murder, Incorporated" based in the White House.

Pritchard's most recent article, published in the "Sunday Telegraph" of March 13 and entitled "Little Rock's Mean Machine," is devoted to Pritchard's ostensible muck-raking in Conway, Arkansas. He alleges that he has discovered a "Deep throat" named Larry Nichols, a former functionary of the Arkansas state government. Nichols is a well-known quantity, having begun a campaign of denigration against Clinton in 1991 with television and press interviews. Pritchard attempts to present Nichols as a gold-mine of new scandals against Clinton that will be more powerful than Whitewater. In the same issue, Pritchard writes that "Washington has been slow to grasp the gravity of it all," but that now the American capital is "paralyzed, and likely to remain so" until Congressional hearings are held. According to Evans-Pritchard, these hearings "will puncture the moral pretensions of this White House....at worst, they will lead to criminal indictments and bring down the whole administration."

Here in the United States, one of the most aggressive press organs attempting to whip up hysteria around Whitewater has been the "American Spectator," a

periodical of the so-called neo-conservative circles. It was after all the "American Spectator" whose scurrilous and unsubstantiated "troopergate" accusations, published shortly before Christmas, opened the current intensive phase of the Whitewater affair. The "troopergate" story was written by David Brock, and was arranged with the help of Cliff Jackson, the Arkansas lawyer who has devoted himself in recent years to dishing up scandals against Clinton. A January 8 column in the American newspaper "Irish People" raised the relevant question when it asked whether Jackson is "part of a British cabal." But no questions were asked about "troopergate" when it first appeared by such news organs as CNN and ABC, which gave extensive coverage to the wholly unproven charges of the disgruntled troopers.

According to the "Daily Telegraph," "there has always been a strong British connection" to the "American Spectator." The head of the "American Spectator" Washington DC bureau is British: this is Tom Bethell, who is the son of Lord Nicholas Bethell of British intelligence. Lord Bethell for many years was one of the most important figures of British intelligence operations in the Balkans region. It has been alleged that Lord Bethell cooperated with the efforts of British triple agent H.A.R. "Kim" Philby in sabotaging United States operations in Albania during the early years of the Cold War.

Sir Peregrine Worsthorne, whom we have already met as the leading writer for the London "Telegraph" newspapers, is an active member of the editorial board of the "American Spectator," as is British journalist Paul Johnson. On February 13, the "Sunday Telegraph" printed an article praising Tyrrell and the "American Spectator" for spearheading the Whitewater campaign against Clinton in a way that has "aroused admiration around the world." In the same issue of the "Sunday Telegraph," Sir Peregrine Worsthorne praised Tyrrell as the man who is "masterminding the campaign which is beginning to look like it might do for Clinton what the 'Washington Post' did for Nixon."

The "American Spectator" editorial board lists, in addition to Sir Peregrine, such leading neo-conservatives as Jeane Kirkpatrick, Michael Ledeen, and Midge Decter; writers include scions of well-known neo-conservatives like Daniel Wattenberg and John Podhoretz. These figures are at the center of an American "neo-con" network which includes the "Washington Times," William Safire, and numerous other exponents of what Admiral Inman has accurately denounced as neo-McCarthyism. The neo-cons, it would appear, are the most energetic fellow travelers of London on this issue.

Why are the British oligarchy and its intelligence agencies attempting to overthrow the President of the United States? The answer involves London's perception that the Clinton administration may be inclined to alter certain policies which London is hysterically and fanatically committed to maintain. These policies are generally those institutionalized during the Thatcher-Bush era, when the United States government was slavishly obedient to the demands of what Bush referred to as "the mother country" during the 1991 visit by Queen Elizabeth II. London currently demands that the Thatcher-Bush policies remain in force with no changes by Clinton, as if the American government were functioning on automatic pilot. The most important focus of disagreement has been the question of International Monetary Fund conditionality as applied to Russia and the other successor states of the former U.S.S.R. Here London demands continued adherence to "shock therapy" looting arrangements. But first in March 1993 and then more clearly in December 1993, the Clinton administration has manifested great disenchantment with the dangerous strategic consequences of continued shock therapy. After the December 12 Russian elections and the emergence of Zhirinovsky, Vice President Gore attacked the IMF's handling of the Russian economic crisis. Strobe Talbott of the State Department, Clinton's personal friend, called for "less shock and more therapy" for Russia. This caused IMF director Camdessus to complain that the IMF was being made a "scapegoat" for Russian economic collapse, and occasioned scathing attacks on Clinton in the British press. The essence of the British position is that the looting of Russia under IMF shock therapy must be continued at all costs, since the proceeds are necessary to support the international derivative securities bubble, to which the major London banks are irrevocably committed. The British are also interested in the advantages they could derive from a new era of Russian-American military confrontation, since London believes that a new cold war would enhance the importance of the US-UK "special relationship" in the same way that the original cold war did.

The British are also angered by Clinton Administration support for the Israeli-PLO efforts towards a permanent peace settlement in the Middle East. The British Foreign Office and intelligence agencies believe that Britain's position as arbiter of Middle East developments depends on a policy of divide and conquer which presupposes a continuation and exacerbation of the Arab-Israeli conflict. Since Prime Minister Rabin and Chairman Arafat appeared with President Clinton at the White House last September, the British have mobilized all their efforts to procure the failure of the Israeli-PLO negotiation.

Indeed, many of the same international "neo-conservative" networks that are implicated in the destabilization of the Clinton Administration also show up as those implicated in the recent Hebron massacre.

Most fundamentally, we must recall that the dominant groupings of the British elite have long been convinced that British power and influence around the world - which they are fanatically determined to maintain and even expand - cannot survive without being able to draw upon and parasitize the power and resources of the United States. Only through the ability to mobilize American muscle could the decrepit economy and minuscule military forces of the United Kingdon hope to play a role upon the current world stage, as such recent events as the Falklands war and the Gulf war demonstrate. In the mind of London, the "special relationship" implies a passive subordination of American foreign and economic policies to British geopolitics and British monetarism. It was widely assumed that President Clinton, because of his background as a Rhodes Scholar at Oxford, was something of an Anglophile, but there are many signs that the disappointed British have concluded that the Clinton administration is less subservient to London than any in recent memory. Since London regards its ability to gets its way in Washington as a matter of pre-eminent and overriding national interest, the response has been the blatant British orchestration of the Whitewater scandal.

In conclusion, we have a very strong prima facie case that a power, certainly foreign and evidently hostile, has initiated an international conspiracy to overthrow the constitutional government of the United States with a sort of coup d'etat. These proceedings may involve violations of the internal security laws of the United States currently on the books. Certainly such an attempted destabilization of our government is a matter to which American intelligence agencies, and most especially the Secret Service, must pay the very closest attention. We therefore urge the subcommittee to provide whatever supplemental appropriations might be needed to defray the costs of the necessary investigative effort.

Thank you very much.

WEDNESDAY, MARCH 23, 1994.

ASSOCIATION OF ADMINISTRATIVE LAW JUDGES

WITNESS

RONALD BERNOSKI, VICE PRESIDENT

Mr. HOYER. Next we will have the Association of Administrative Law Judges testify on the Merit System Protection Board. It is represented by Ronald Bernoski.

We appreciate your being here.

Mr. BERNOSKI. Thank you.

Mr. HOYER. We will include your statement in full in the record, and you may proceed to summarize it as you see fit.

Mr. BERNOSKI. Thank you, Mr. Chairman.

I am Ronald Bernoski, Administrative Law Judge with the Social Security Administration. I appear before you in my capacity as the Vice President of the Association of Administrative Law Judges.

First, Mr. Chairman, I want to personally thank you for your past efforts at bringing parity and equality to all Administrative Law Judges in 1990. We really appreciate that.

Our association is the largest organization of Federal Administrative Law Judges in the Federal Government, and the approximate 1,000 Administrative Law Judges in the Federal Government have a unique relationship with the Merit Systems Protection Board. Only MSPB has jurisdiction to hear disciplinary cases against the ALJs. Agencies are prohibited from taking action against the judges because of the chilling effect it has on the independent decision-making process.

MSPB is removed from the other agencies and is thereby ideally in position to hear these disciplinary cases without interfering with the independence of the judges.

MSPB has had an office of Administrative Law Judges in the past, but the office consisted of one judge, on ALJ who heard disciplinary cases plus other cases that required APA protection. But, from our perspective, the employment of only one Administrative Law Judge by MSPB was never satisfactory, and we believe that it never brought us the fairness and due process which is required by the Administrative Procedure Act.

However, the situation is now changed and is changing for the worst. The one Administrative Law Judge has retired, and it is our understanding that the office has been abolished, with MSPB now contracting out for Administrative Law Judge services with other agencies.

This system, we contend, violates the standards of the Administrative Procedure Act which requires that judges be assigned to cases in rotation. This requirement is one of the foundations of fairness in our system of Federal administrative law, and we believe it is ironic that the very judges who enforce the standard will be denied this protection.

I want to make it clear that our comments are not intended to be critical of the Chairman of MSPB, and we have the utmost respect for his integrity and fairness. But we instead believe that this is an excellent opportunity to develop a new system to develop a

new hearing process for Administrative Law Judge disciplinary cases.

We believe at this time unfairness of the current system is demonstrated by the action which has been taken against the Chief Judge of the Department of Labor and which is now pending before the board. This case is described more fully in our statement, and I will only comment that it sows the potential for abuse in the current system and the difficulty with trying this type of case before a single finder of fact.

We have several recommendations for the subcommittee that we believe would improve this system.

First, that, at present, MSPB provides about 60 Administrative Judges—this is to be distinguished from Administrative Law Judges—who meet the requirements of the OPM register for ALJs. In fact, we understand that about half of these Administrative Judges have applications pending for ALJ status. We believe that these Administrative Judges should be converted to ALJ status so that their hearings will provide protection.

This group of ALJs should then be placed in a pool with other agency judges to hear Administrative Law Judge disciplinary cases, and single ALJ hearings can continue to be conducted for other APA cases. This change, we believe, would ensure that the cases would be heard in rotation and would eliminate the current pre-selection system in the ALJ disciplinary process which is now undergoing.

We further recommend, in accordance with the judicial standards promoted by the American Bar Association, that ALJ disciplinary cases be heard before a panel of three judges rather than one Administrative Law Judge as in the past. We suggest that that panel be increased to three.

We also suggest and recommend that the Administrative Law Judge should have one preemptory challenge to this panel and any removed judge would be selected from that pool that is created by these Administrative Law Judges.

This system, we believe, will create a system—or this change will create a system that is protected by the Administrative Procedure Act and will create a process of which—with safeguards for decisionmaking.

Secondly, this change also requires that these new judges that would be converted in MSPB be paid at the rate for ALJs set by the 1990 Pay Act.

Now, we do not represent to know all of the facts regarding MSPB budgeting, but it is our understanding that contracting out for Administrative Law Judges in the past has been both expensive and unpredictable. We would offer one method for this problem which would be to phase in the pay program for these newly converted judges similar to the phase-in process that was implemented in the Pay Act of 1990 for the Administrative Law Judges such as myself when I was brought in. Even though I had over 10 years—probably 12 years—experience at that time I was brought in at a pay rate lower than other judges, and we were phased into the program.

This would be a possible solution at this point for these judges.

In closing, Mr. Chairman, we appreciate your consideration for our recommendations, and we believe that these recommendations will result in a system that will be more compatible for the APA for both Administrative Law Judge disciplinary cases and for cases of other Federal workers who are brought before MSPB on disciplinary parties.

Thank you, Mr. Chairman, for your time and attention.

Mr. HOYER. Thank you very much. We appreciate that. We will take that into consideration, and we may well discuss it with the authorizing committee as well.

Mr. BERNOSKI. Thank you very much.

Mr. HOYER. Thank you, Mr. Bernoski. We appreciate your attendance.

[The prepared statement follows:]

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TESTIMONY OF

JUDGE RONALD BERNOSKI, ALJ
VICE PRESIDENT
ASSOCIATION OF ADMINISTRATIVE LAW JUDGES, INC.

ON APPROPRIATIONS FOR
U.S. MERIT SYSTEMS PROTECTION BOARD

BEFORE THE U.S. HOUSE OF REPRESENTATIVES
APPROPRIATIONS SUBCOMMITTEE ON
TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT

MARCH 23, 1994

Chairman Hoyer, Ranking Member Lightfoot and Members of the Subcommittee:

I appreciate the opportunity to testify before you today on behalf of the Association of Administrative Law Judges, Inc., as you consider FY'95 appropriations for the U.S. Merit Systems Protection Board (MSPB). I am Vice President of the largest professional society of federal Administrative Law Judges (ALJs). I am employed by the Social Security Administration, and I am a practicing ALJ, hearing Social Security claims in Milwaukee, Wisconsin, since 1980.

The approximately 1,000 Administrative Law Judges in the federal government have a unique relationship with the U.S. Merit Systems Protection Board Protection Board because of its quasi-judicial and independent status from other federal agencies, only MSPB has jurisdiction to hear discipline and removal for cause cases brought against ALJs by the agencies they serve. Agencies are prohibited from directly taking disciplinary action against ALJs, which serve them, because of the chilling effect on independent decision making. ALJs may only be removed from office for cause and are protected by the Administrative Procedure Act (APA). MSPB is at arm's length from other federal agencies, and is ideally positioned to hear ALJ discipline cases without unduly trammeling the decisional independence of ALJs in the federal government.

MSPB has had an Office of the Administrative Law Judge, which employed one ALJ to hear disciplinary actions against ALJs and other cases requiring Administrative Procedure Act protections (APA). From the perspective of ALJs in the federal system, MSPB's employment of only one ALJ to hear sensitive cases against ALJs was never satisfactory nor did it insure fairness or due process as required by the APA. However, the situation has changed for the worst because after the recent retirement of the only ALJ from MSPB, it is our understanding that the Office of the Administrative Law Judge has been abolished. Instead, MSPB is contracting out for ALJ services on an as needed basis with federal agencies employing ALJs. Unfortunately, this process erodes the independence and quasi-judicial status of the MSPB ALJ from agency influence. In effect, the current practice impermissibly selects the judge for the case, which violates the standards of the APA that require ALJs to be assigned cases in rotation (5 U.S.C. 3105). This requirement is the foundation of fairness in the federal administrative law system and the standard used by ALJs in hearing claims brought by the American public. It is ironic that these same ALJs will have cases raising serious charges regarding their professional conduct heard by judges preselected for the case and not insulated from executive agency influence.

We believe that this recent change by MSPB to require the Executive Director to contract for ALJ services with federal agencies is an innocent cost saving attempt, whose adjudicatory impact has not been fully considered. We have the uptmost respect and admiration for the new MSPB Chairman Benjamin Erdreich, whose reputation for integrity and fairness is well known. Our comments on this matter imply no criticism of MSPB management, in fact to the contrary, we come forward at this time because we are encouraged by the new administration at MSPB and believe that for the first time in many years there is a real opportunity to develop a fair system for actions brought against ALJs.

The issue of MSPB contracting with other federal agencies for ALJ services, recently came to our attention in the case of an ALJ disciplinary action brought by the Department of Labor to MSPB against its Chief Administrative Law Judge, seeking to remove him as Chief Judge for abusing his powers in this position (See attached news article). One of the charges brought by the Department of Labor is that the Chief Judge assigned Labor agency personnel on a voluntary basis who were under utilized to work on adjudications at the Environmental Protection Agency (EPA). The EPA was in need of additional services. This arrangement appeared to us to strongly resemble the concepts embodied in S.486, a bill to reorganize the federal administrative judiciary into a unified corps, sponsored by Senator Heflin (D-AL), which passed the Senate in November, 1993, and is now pending before the House Judiciary Subcommittee on Administrative Law. We have been told that hearings will be held on the bill in mid-May. The Chief Judge at the Department of Labor has been a well known proponent of such a reorganization to more effectively utilize the limited resources of federal agencies in addressing their caseloads. In his professional career activities with the American Bar Association (ABA), which endorses the concept and enactment of S.486, the Chief Judge at the Department of Labor has been an advocate for A.B.A support of the bill. Some AlJs in agencies with light administrative caseloads or in an agency where there is a Chief Judge among three ALJs with a light caseload, there is strong opposition to enactment of the bill. The Federal Energy Regulatory Commission (FERC) ALJs have been on record as strongly opposed to enactment of S.486. MSPB has contracted with FERC for an ALJ to decide the case against the Chief Judge at the Department of Labor, which includes the charge of pooling agency resources as invisioned in S.486. We do not believe that this will be a fair or impartial forum for this case. These issues will undoubtedly be raised by counsel for the Chief Judge, but we raise them before the Subcommittee because there is an opportunity to create a fair and impartial forum for ALJ discipline cases at MSPB.

We have recommendations for the Subcommittee to implement that would make MSPB a model of fairness and impartiality in decisionmaking and are potentially cost saving steps or budget neutral. MSPB currently employs approximately 60 Administrative Judges (AJs) in regional offices throughout the United States, who decide employment cases for federal workers. The AJs are required to have a law degree and many have the required seven years hearing/litigation experience needed to qualify for the ALJ Register, recently opened by the Office of Personnel Management (OPM). Chairman Erdreich in his testimony before you indicated that 6 MSPB AJs will soon be among my colleagues as ALJs at the Social Security Administration. SSA is seeking to hire an additional 100 ALJs this year. I understand that besides the 6 MSPB AJs who have accepted offers to become ALJs, that another 9 have had interviews, 4 have had geographic preferences granted and that one half of the MSPB AJs have applications pending for ALJ status. We believe this demonstrates the quality and desirability of MSPB AJs for ALJ status. Those AJs at MSPB who meet the requirements of OPM for the ALJ Register should be converted to ALJ status and remain at MSPB. Soon, the experienced core of AJ decision makers at MSPB able to handle a high volume of cases because of their experience will be lost to the agency, as they are "hot picks" for ALJ positions at SSA.

It is this same group of AJs, meeting OPM criteria for ALJ status at the MSPB, that would make a desirable pool of ALJs to decide ALJ discipline cases, currently being contracted out. The concept of a pool of available ALJs to hear ALJ actions is what is really needed to insure fairness and impartiality. A pool of ALJs would insure that cases were heard in rotation and a judge is not selected for the case. In accordance with judicial standards promoted by the ABA, we recommend that ALJ disciplinary cases be heard by a 3 judge panel of ALJs. In the case of the pending matter involving the Chief Judge at Labor, we doubt if any suitable individual judge could be found among the federal agencies to decide the case. This particular case calls for a three judge ALJ panel, and we recommend that in fairness to all federal ALJs that 3 judge ALJ panels be selected in rotation from a pool of ALJs at MSPB. Also, we would like an ALJ to have one pre-emptory challenge to the panel, to remove an ALJ who was thought to be biased. The ALJ would be replaced in rotation by an ALJ from the available pool at MSPB.

The development of a pool of ALJs at MSPB would require two changes at the agency. Most importantly, the ALJs at MSPB would be protected by the Administrative Procedure Act to insure the independence of their decisionmaking activities. Regional senior

judges could not unduly review the decisions of competent and qualified ALJs at MSPB. These same safeguards would insure the integrity of decisionmaking in federal employment cases brought by the Senior Executive Service and Whistleblowers. Many federal workers already believe that they have these protections but in fact their important cases on questions that resolve their future livelihoods are not accorded APA protections. This change would be a positive step in recognizing the importance of these decisions for federal workers. To insure accountability among the newly converted MSPB ALJs, we also recommend that the Board adopt a code of professional conduct, responsibilty and standards for adjudicators as modeled by the Americam Bar Association.

The second change would require that the new ALJs at MSPB be paid at the salary rate of ALJs set by the 1990 Pay Act, which established pay parity for all ALJs in the federal system. Can MSPB absorb this change without new appropriations? We do not know all of the facts regarding the MSPB budget, but it is our understanding that contracting out for ALJ services has been far more expensive than anticipated. MSPB may spend between $157,000. to $200,000. in FY'94 on ALJ services, according to budget documents. It is our recommendation that this budgeted amount for outside ALJ services would be better spent in converting OPM qualified AJs at MSPB to ALJs. This same amount of funding could be divided among the converted ALJs to phase them in to pay parity with other ALJs in the system. This would not need to be done all in one year, but over time and with the pay ceiling lifted for the qualified AJs, it would stop the erosion of a qualified corps of judges at MSPB, as is now taking place. In 1990, SSA ALJs did not receive the same pay as ALJs at Labor or other agencies, but the Pay Act started all new ALJs at SSA at the same salary, while more experienced judges like myself have received incremental adjustments each year to phase us in to full pay parity. At the worst, our recommendation to convert qualified AJs at MSPB to ALJs would be budget neutral and might at best, because of the unpredictablility of costs for outside ALJ services, actually be the cost saving step that the abolishment of the ALJ office at MSPB was meant to create. Federal ALJs would get a better system for hearing their cases, as would federal workersand the agency could continue its high rate of productivity by retention of its experienced judges.

We appreciate your consideration of our recommendations and look forward to working with the Subcommittee on these proposals, which as we understand require no statutory changes in MSPB authority. MSPB is authorized to use employees or ALJs to decide cases under current law.

Washington Post
2-12-94

Labor Dept. Trying to Oust Administrative Law Judge

Nahum Litt Accused of Abusing Powers of Office

By Frank Swoboda
Washington Post Staff Writer

The Labor Department has started formal proceedings to remove its chief administrative law judge, whom the department accused of abusing the powers of his office over a period of at least five years, according to government sources.

The department said in its complaint against Chief Judge Nahum Litt that he violated federal personnel rules by assigning himself plum out-of-town cases and having his law clerks write decisions for his wife, who is a law judge with another agency, according to several sources familiar with the complaint.

It also said there were discrepancies in Litt's travel records and that he failed to cooperate with the investigation by the department's inspector general, the sources said.

Labor Department officials have confirmed that the department has asked the Merit Systems Protection Board to order Litt removed as chief judge, suspended without pay for 60 days and ordered to repay 270 hours of annual leave.

Litt would be allowed to stay on as an administrative law judge.

The department refused to release details of the complaint on grounds the information was protected under the federal privacy law. The complaint was first reported Thursday by the Associated Press.

Litt said Thursday that the complaint was part of a "battle between me and the inspector general." He said the complaint was 40 pages long, but he would not discuss its details. Further efforts to contact Litt have been unsuccessful.

Federal administrative law judges, a corps of slightly more than 1,000 men and women, exercise enormous power over the actions of the federal government and regulated industries and individuals. They rule on cases such as unfair labor practices by employers and unions, Social Security disability claims, and multimillion-dollar rate cases in the energy and transportation fields. The overwhelming majority are employed by the Social Security Administration.

Once known as hearing examiners, the judges, known in the government as ALJs, are selected by examination and given essentially the same status of tenure and independence as federal judges. In the jargon of the Office of Personnel Management, ALJs have "career absolute" status.

Sources said one of the accusations against Litt was that he used three law clerks at the Labor Department to write decisions for his wife, J.F. Green, an administrative law judge at the Environmental Protection Agency. Efforts to contact Green were unsuccessful.

Ed Slavin, a former law clerk for Litt who is in private practice in Houston, confirmed that one of the issues in the complaint involved the use of the law clerks.

Slavin, who said he discussed the case with Litt Thursday night, said Green had no staff at EPA and her husband helped her out. He said the clerks had all volunteered to help her.

Slavin and sources within the government also confirmed that the Labor Department was trying to force Litt to repay 270 hours of annual leave that it contends he should have taken rather than claiming to be on "duty status" while out of town on assignment.

The complaint involves incidents dating back at least until 1988, Slavin said. He said one of the issues involved a trip to an American Bar Association convention in Toronto in 1988 on which he accompanied Litt. Other travel being

See JUDGE, C7, Col. 5

JUDICIAL DUTIES

There are about 1,000 federal administrative law judges. Their responsibilities include ruling on cases involving:

- **Unfair labor practices** by employers and unions.
- **Disability claims** filed by Social Security recipients.
- **Rate decisions** involving the transportation and energy industries.

Labor Dept. Trying to Oust Administrative Law Judge

JUDGE, From C1

questioned, according to sources, involve trips to California and Alaska. It was unclear what questions were raised about the travel.

As chief judge, Litt is responsible for overseeing the management of an operation of 200 employees, including 73 administrative law judges, in offices scattered around the country. The job, according to Slavin, requires a lot of travel.

Litt's case is being handled by the ALJ's office at the Federal Energy Regulatory Commission.

Litt is a former president of the National Conference of Administrative Law Judges, an arm of the American Bar Association, and for years has been a major force behind legislative efforts now moving through Congress to create a separate Corps of Administrative Law Judges to handle all cases within the federal government.

A 1959 graduate of the Columbia University law school, Litt has served as a chief administrative law judge since 1977, first at the old Civil Aeronautics Board and, since 1979, at the Labor Department. Litt has a reputation among many administrative law judges as being a very good lawyer, but, according to a fellow ALJ, he could be very "acrimonious" in his dealings with other people.

The Merit Systems Protection Board has contracted with the Labor Department to handle all cases involving ALJs throughout the government. Because of the obvious conflict, Litt's case is being handled by the ALJ's office at the Federal Energy Regulatory Commission (FERC).

Mathew Shannon of the Merit Systems Protection Board said the case was received from the Labor Department Jan. 25 and subsequently forwarded to the FERC. Shannon said he could not comment on the contents of the complaint.

Curtis Wagner, chief judge at the FERC, said yesterday his office had received the case Feb. 2 and that it has been assigned to a judge for hearing. Wagner, who would not comment on the complaint itself, said Litt has until March 10 to respond. "The ball is in his court," Wagner said.

WEDNESDAY, MARCH 22, 1994.

AMERICAN BAR ASSOCIATION AND NATIONAL INSTITUTE FOR DISPUTE RESOLUTION

WITNESSES

THOMAS SUSMAN AND MARGERY F. BAKER, PRESIDENT

Mr. HOYER. Next we have Mr. Thomas Susman with the American Bar Association.

Why don't we ask Marge Baker to join us? She is with the National Institute for Dispute Resolution, who, along with Mr. Susman, has asked for an opportunity to testify on the Administrative Conference of the United States.

We are pleased to have you here.

Mr. SUSMAN. Thank you, Mr. Chairman.

Mr. HOYER. We are glad to hear from you.

Mr. SUSMAN. Glad to see you again, Mr. Chairman. We talked about the Administrative Conference last summer. I was there as senior conference fellow on my own behalf.

Now I am pleased to testify on behalf of the American Bar Association. I am a partner in the Washington office of the law firm of Ropes and Gray, and my association with the Conference goes back some 25 years, when I was in the Justice Department and then working in the Senate.

The ABA supports the President's fiscal year request for 1995 for $2.6 million for the Administrative Conference, and we do so for a number of reasons. Many of them were spelled out by the witness for the Conference, Sally Katzen, who testified earlier this month.

Mr. HOYER. She did an excellent job.

Mr. SUSMAN. Plainly, the Clinton administration sees ACUS as an integral part of reforming government, reinventing government. It is mentioned by name in the President's regulatory reform Executive order. It is invoked a number of times by the National Performance Review. Congress also has vested a number of responsibilities in the Administrative Conference and even now continues in a number of areas to look at the Conference as the government's in-house expert on procedure.

Procedure is important, and let me try to emphasize why in the three basic points that I deal with in my testimony.

First, we need, now more than ever, to concentrate attention and energy on reform of the administrative process. The costs of government regulation are skyrocketing, and as costs have risen so also has concern about rationality of the administrative process—especially recognizing our limited resources.

From the perspective of consumers and businesses and State and local governments, we are not well-regulated, and we are overregulated.

Yet there is no other agency in the United States Government, either legislative or executive branch, besides the Administrative Conference, whose sole and single-minded objective is improving the quality of government procedures. There is no other place that better understands the costs and delays and burdens imposed by inadequate, inefficient or duplicative governmental processes.

Certainly, each congressional committee has a stake in administrative procedure to carry out its programs, and each Federal agency has a stake in the way it designs its own programs.

But meaningful reform requires a looking back at what is in place and, with time in short enough supply to look to the future, Congress and agencies simply do not have the luxury or often the will to look back and examine the procedures of ongoing programs.

The Administrative Conference has no such inertia, is not fettered by any stake in having developed a program. It is the perfect objective body to look towards uniformity, efficiency and effectiveness of governmental processes.

Secondly, the Administrative Conference is a unique institution. There is none other like it in government. It combines the private sector with government to create a synergy that makes it particularly effective in going about its work.

As I mentioned, it is unlikely, if left to their own devices, that Congress or agencies would ever have the will or ability to parse through existing procedures with enthusiasm and objectivity and non-partisanship of the Administrative Conference. Likewise, the Bar Association and business groups would never take on the projects the Administrative Conference does, in part because many of the issues important to the public simply will not be high on their agenda.

There is another reason: administrative law is just not sexy, not the stuff from which front-page articles in the Washington Post are made. It is understandable the Congress and the agencies don't have that as priorities.

So, by combining government and private experts, ACUS proposals are, by definition, relevant. And, of course, they wind up saving the government a great deal of money by utilizing government officials, academic institutions and private and public experts who volunteer their time year after year to work on projects for the Conference.

My final point, Mr. Chairman, is that, in the end, it is good to define a problem, it is good to have an institution that can solve problems, but it is results that matter. In that arena, the Administrative Conference also has been successful.

Ms. Baker is going the talk about ADR, and that has been one of the flagship issues for the Conference in the last few years. But other recommendations of the Administrative Conference have led directly to legislative reform, things like civil penalty procedure reform, elimination of problems of access to the courthouse, removal of technical matters that block citizens' access to the courts, improving contract claims adjudications. There are a number of these.

I read Ms. Katzen's appendix, and it is full of recommendations that have been implemented. I don't think any of these made the front pages of the newspapers, but in each case they eliminate needless litigation, open courthouses to those with legitimate grievances and effect savings of taxpayer dollars and private resources.

Inefficiency and ineffectiveness, duplication, overlap, delay, these problems do more to undermine public confidence in government than many others. They exact a high cost to the government. They also exact a high cost to those who do business with the govern-

ment—businesses, nonprofit institutions and consumers in every walk of life.

By helping agencies and Congress remedy these problems, the Administrative Conference of the United States provides a tremendous value that goes far beyond the requested appropriations.

Thank you, Mr. Chairman, and I appreciate having the opportunity on behalf of the ABA to testify. We will provide answers to any questions you may request.

Mr. HOYER. Thank you very much.

[The prepared statement follows:]

Testimony of Thomas M. Susman
On behalf of the American Bar Association

Before the Subcommittee on Treasury,
Postal Service, and General Government of the
House Committee on Appropriations

The Administrative Conference of the United States

March 23, 1994

Mr. Chairman and Members of the Subcommittee, my name is Thomas M. Susman I am a partner in the Washington office of the law firm of Ropes & Gray. I am delighted to testify today on behalf of the American Bar Association in support of the President's fiscal year 1995 request for $2.6 million for the Administrative Conference of the United States.

In these times of limited resources, finding ways of reducing the costs of government -- and of government regulation and government program-administration -- presents an enormous challenge. As an agency that effectively combines public and private expertise to tackle the single-minded task of improving federal administrative processes, the Administrative Conference is uniquely suited to meet this challenge.

Background

The Administrative Conference of the U.S. ("ACUS") was originally established in 1961, early in President Kennedy's administration, as a vehicle for bringing together government officials and volunteers from the private sector to improve the fairness, efficiency, and coordination of federal agency procedures. It was established by Congress as a permanent government agency in 1964 and has enjoyed bipartisan support for almost 30 years as an advisor to all three branches of government on administrative procedural reform.

I am currently a Senior Conference Fellow, having served four terms as a Public Member of the Conference; during part of this time I chaired the Committee on Judicial Review. My interest in and involvement with ACUS goes back over 25 years: it started when I was in the Department of Justice in 1968 and served as special assistant to the Vice-Chairman of the Conference, who was then Assistant Attorney General in the Office of Legal Counsel. During the next 12 years, I worked with the Conference in various staff positions on the Senate Judiciary Committee and its Subcommittee on Administrative Practice and Procedure. I was appointed to the Conference when I left Capitol Hill to join Ropes & Gray; currently I am a partner in Ropes & Gray's Washington Office, and I remain active with ACUS today.

I am also a past chair of the ABA's Section on Administrative Law and

Regulatory Practice, and I have written about and lectured on administrative law from time to time. So I have seen first-hand the unique contributions and the vital resources ACUS has provided in making recommendations and developing information on the efficiency, effectiveness, and fairness of the procedures used by federal agencies in carrying out their statutory mandates.

Administration testimony presented earlier this month by Sally Katzen, Acting ACUS Chairman and Director of the Office of Information and Regulatory Affairs at OMB, highlights the need for greater resources for the Conference. Plainly the Clinton Administration sees ACUS not as an ivory tower for irrelevant or isolated academic discourse, but as a vital tool for accomplishing the Administration's important goal of streamlining government operations. It is equally clear that Congress has continued to vest the Conference with expanded responsibilities, including the important areas of alternative dispute resolution and negotiated rulemaking.

I want to emphasize three points today in supporting the President's budget request for ACUS. First, the need to reform administrative processes is greater than ever; the Conference's mandate -- to develop improvements in the procedures by which federal agencies administer regulatory, benefit, and other government programs -- is even more relevant and compelling today than it was 30 years ago. Second, ACUS has unique capabilities for achieving progress in procedural reform, and it is one of the most economically efficient agencies of government. Finally, in the end, it is results that matter, and the work of the Conference has achieved laudable results.

Reform Needed Now More than Ever

The Vice President's report on "Improving Regulatory Systems," accompanying the Report of the National Performance Review, Creating a Government that Works Better and Costs Less, makes two points that are beyond dispute:

One: "Regulations affect virtually every American citizen, household, business, institution, community, and level of government."

Two: "The federal regulatory system is not working as well as it should. Many federal regulations impose too many constraints on individuals and businesses . . . while still failing to accomplish the goals for which they were imposed."

Let me set aside for a moment the many billions of dollars spent on federal procurement activities and grant and benefit programs -- many of which have been improved through ACUS recommendations but still need further reform -- and offer a few select figures on just the regulatory programs of government:

- Rochester Institute of Technology economist Thomas Hopkins (an ACUS member) has conservatively estimated the annual cost of federal regulation in 1993 at $581 billion and projected it would rise to $662 billion by the year 2000.

The aggregate cost of federal regulation per household, according to Hopkins, is about $5,900 per year.

- OMB has estimated that federal paperwork burdens consume over 6.4 billion person-hours in the private sector each year. This has been modestly translated to a cost of $128 billion, merely for collecting, reporting, and maintaining federally mandated information.

- The federal budget in 1993 called for spending $11.3 billion to administer federal regulatory programs -- a 51 percent increase over 1983.

There are many other ways to measure the rise of federal regulation: the almost threefold increase in the number of pages of the Federal Register between 1971 and 1991 (from 25,447 to 67,716 pages); the increase in regulations under development by agencies (from an average of 4,000 between 1983-1989 to 4,900 in the past few years); the number of regulators employed by the federal government (101,963 in 1985; 122,406 in 1992).

The costs of regulation are undeniably high, and as those costs have risen, so too has concern about the rationality of the regulatory process. From the perspective of many consumers and businesses, as well as state and local governments, we are over-regulated -- and not very rationally regulated, either. (As the National Performance Review found, "the average American believes we waste 48 cents of every tax dollar.")

Yet there is no single office or organization in either the Executive or Legislative branch of government -- besides the Administrative Conference -- whose sole objective is improving the quality of government procedure. There is no other place in government that better understands the costs, delays, and burdens that are imposed by inadequate, inefficient, or duplicative governmental processes.

Those of us who work with and support the Administrative Conference care about efficiency and economy in government administration. But we also care about the unnecessary costs and excessive burdens that government can impose on individuals, businesses, nonprofit institutions, and state and local governments. And we care about restoring the public's faith in government.

Each congressional committee and each federal agency has a stake in its own program and in the way it has designed that program. For each, meaningful reform requires, first, a commitment of time to look backward -- at existing programs and regulations -- when time is in short enough supply for dealing with future ones, and second, an admission that they did not do things quite right the first time around. ACUS is fettered by no such inertia, by no such stakes in the past.

I do not suggest that the Administrative Conference can manage the task of regulatory reform single-handedly. That task falls most heavily on Congress and the

White House, on OMB and the agencies. But it is a monumental task, impacting jobs, economic growth, innovation, international competitiveness, public health and safety, and more. We simply cannot afford not to make the most of the Administrative Conference in addressing the problems of government regulation.

A Unique Institution

The Administrative Conference is unique in combining the perspectives and experience and capabilities of both the government and private sectors. This synergy makes ACUS particularly effective.

I have already addressed briefly why it is unlikely that, if left to their own devices, individual agencies and congressional committees are likely to make meaningful headway in improving the way in which government does its work. I mentioned the press of carrying out existing programs and planning for future needs as standing in the way of major investments in reforming ongoing practices and procedures. And I mentioned the stake that agencies and committees have in the structures and procedures that they themselves devised to implement the existing programs.

There is another reason: administrative procedure, simply stated, is not sexy stuff. It seldom produces headline news or even spirited public debate. Administrative procedure is the stuff of speeches that make audiences doze: It is often mundane, occasionally obscure, but extremely complex. (As Justice Scalia, a former ACUS chairman, put it: "Administrative law is not for sissies.") In short, administrative process and its reform are hardly likely to capture the attention, on an ongoing basis, of over-extended Members of Congress or their staff, or of busy and preoccupied bureaucrats.

But ask whether administrative procedure has consequence to a business trying to get an EPA permit, a FCC license, or an FDA approval. Better yet, ask a veteran needing health care, or a farmer whose crops were destroyed by disaster, or a coal miner with black lung disease, or an older American laid off work whether they care if federal procedures are labyrinthine, drawn-out, inefficient, or unfair. We all know the answer.

Why not leave the study and formulation of recommendations for improving federal procedures to the private sector? After all, many academics and private-sector lawyers and other professionals are already involved in looking at many of these issues in universities and think-tanks and bar associations. The Administrative Law and Regulatory Practice Section of the ABA certainly works on a number of the same kinds of issues that are the subject of ACUS studies, often after ACUS has highlighted a problem. But these are no substitute for the Administrative Conference.

Perhaps some attention would be given to improving EPA or FCC or FDA procedures, but these would very likely be developed from the single-minded perspective of interested business constituencies. And bar association groups might venture into some more general areas, though without the benefit of the empirical evidence developed by ACUS consultants. But who would spearhead detailed and intensive

inquiry into improving procedures relating to social security, medicare, children's vaccine, or farmworkers?

By combining the views and interaction of both government officials and private experts, from the development of a project proposal through the review of research materials and reports, to the formulation of preliminary and then final recommendations, ACUS proposals are almost by definition both relevant and balanced. And, Mr. Chairman, in my over 25-years of experience with the Conference, they have proved nonpartisan as well.

Finally, by using the volunteer time of expert advisors from the government, academic institutions, and the private and public interest bar, ACUS generates hundreds of thousands of dollars of free time dedicated to the improvement of federal administrative processes. In this way, too, the Administrative Conference is a uniquely cost-effective federal institution.

Results Matter

In the final analysis, even were the need for increasing the emphasis on procedural reform of regulatory and benefit programs compelling, and even if ACUS were uniquely situated to become a catalyst for reform, Congress could not justify providing continuing -- much less increasing appropriations -- if ACUS had not shown itself capable of achieving results. And I certainly would not be here today were that the case.

The Conference has more than lived up to its promise. It has issued numerous valuable publications that have saved agencies large amounts of scarce resources. It has sponsored and participated in educational programs for congressional staff, agency regulators, and even foreign governments.

Its recommendations have led directly to legislative reform. Examples include reform of civil penalty procedures, elimination of races to the courthouse to obtain judicial review of agency decisions, removal of technical impediments to citizens blocked from litigating against the government, and improvement of contract claim adjudications. These changes did not make the front page of The Washington Post, but in each case, they have eliminated needless litigation, opened courthouse doors to those with legitimate grievances, and effected savings of taxpayers' dollars and private resources.

The Conference has been at the forefront of introducing ADR into government proceedings and is providing federal agencies with much-needed technical advice to promote this important approach to reducing conflict and litigation.

And many of the over-180 recommendations adopted by the Administrative Conference have led agencies to reform their own procedures. Ms. Katzen's testimony documents ACUS's many successes in obtaining implementation of its recommendations.

Inefficiency and ineffectiveness; duplication and overlap; delay -- these problems

do more than undermine public confidence in government. They exact a very high cost to government, to everyone who does business with or is regulated by the government, and ultimately to all taxpayers and consumers. By helping agencies and Congress remedy these problems, the Administrative Conference provides tremendous value that more than justifies the requested appropriations.

Judged on the basis of results, the Conference has been a remarkable success. And it has achieved its many accomplishments at an incredibly low cost to the American taxpayer

Conclusion

The Administrative Conference of the U.S. has proved itself effective at promoting efficiency in government. Yet its work is far from done. The American Bar Association urges this Subcommittee to provide the increased resources requested by the President to meet the challenges that lie ahead.

The ABA supports the appropriation request of $2.6 million for ACUS for fiscal year 1995. Experience has shown that this small investment yields great benefits to the administrative processes of the entire federal government. This improves the way our government carries out programs created by Congress, making regulation more effective and scarce resources go farther. In the end, it translates into savings for the government and thus benefits all taxpayers, as well.

I appreciate the opportunity to testify at these hearings and will be pleased to respond to the Subcommittee's questions.

Summary of
Testimony of Thomas M. Susman
On behalf of the American Bar Association

Before the Subcommittee on Treasury,
Postal Service, and General Government of the
House Committee on Appropriations

The Administrative Conference of the United States

March 23, 1994

There is a pressing need to provide greater resources for the Administrative Conference of the U.S. Not only does the Administration see ACUS as a vital tool for streamlining government operations, but also, Congress continues to impose expanded responsibilities on ACUS, including alternative dispute resolution and negotiated rulemaking.

The American Bar Association strongly supports the President's budget request for ACUS for three primary reasons: (1) the need to reform administrative processes -- ACUS' mandate -- is greater than ever; (2) ACUS has unique capabilities for achieving procedural reform, and it is one of the most efficient agencies for doing so; and (3) results are what matter, and ACUS has achieved laudable results.

1. **Reform Needed Now More Than Ever**

Regulations affect virtually everyone, but the regulatory system is not working well. The costs of regulation are skyrocketing: the annual cost of federal regulation alone is projected at $581 billion for 1993 -- $5,900 per household -- and $662 billion by the year 2000. Federal paperwork burdens consume over 6.4 billion person-hours in the private sector each year, and costs hundreds of billions of dollars. As the costs of regulation have risen, so too has concern about the rationality of the regulatory process; the average American believes we waste 48 cents of every tax dollar.

ACUS is the only organization in government whose sole objective and expertise is improving the quality of government procedure; it is uniquely capable of accomplishing that goal. Unlike agencies and congressional committees, ACUS is unfettered by reluctance to acknowledge mistakes or a desire to protect political turf, or by preoccupation with developing new programs.

2. **A Unique Institution**

The Administrative Conference is unique in combining the perspectives and experience of both government and private sectors. This synergy makes ACUS particularly effective. The volunteer expertise available to ACUS from the private sector provides great leverage for the Conference's modest appropriation.

3. **Results Matter**

ACUS has more than lived up to its promise to reform administrative procedures. ACUS has developed significant recommendations responsible for reduced inefficiency, ineffectiveness, duplication, overlap, and delay in the regulatory system.

The Administrative Conference has provided tremendous value that fully justifies the requested appropriations.

Mr. HOYER. Ms. Baker, it is good to have you here.

Ms. BAKER. Thank you, Mr. Chairman. I am delighted to be here.

Mr. HOYER. You don't have to worry about the mike. The mike is largely for the people in the back of the room, but, in light of the fact we don't have much of a crowd here, we can probably go without it.

Ms. BAKER. The National Institute for Dispute Resolution is a nonprofit institute founded a decade ago by leading foundations whose mission is to promote the field of dispute resolution.

As was indicated, I would like to address the critical role we believe the Administrative Conference has played and really must continue to play in promoting these aspects of dispute resolution within the Federal Government and in a very much consistent way with the recommendations contained in the National Performance Review.

To do that, let me take two minutes to put this in context. The field of dispute resolution has changed phenomenally over the past few years. It has mushroomed phenomenally. A real value has been demonstrated. It is just not efficient, it is not just cost saving, it promotes better decisions because you have processes that involve stakeholders in the decisions and in the results. So there is real, lasting value to the results that come out of the process.

The range of tools that the field has to offer has gotten much more sophisticated and is used in a broad range of contexts, but it is used in fashioning regulatory negotiations, much more viable public policy regulations.

The Federal Government clearly has a critical role to play in fostering dispute resolution. We are the watershed. We are on the leading edge of constructive problem solving in the fabric of the public decisionmaking processes. We really need to take advantage of that opportunity. That is where ACUS has played a role and will continue to play an extremely significant role.

Much of this is detailed in my testimony that I won't go into, but what is really critical is that, in our experience in fostering the use of dispute resolution, you need a central organizing body. You need somebody to be the central nervous system of the information flow, the networking, the collecting of information, synthesizing information, dissemination of information and knowing what works and what doesn't.

We have played an extremely valuable role in that regard. It is really essential, we believe, to making the National Performance Review recommendations meaningful. This is not to say that the hard work of implementing APR should not be within the agencies themselves. It clearly is. But they need a backup. They need somebody to help them who can be a bridge to experience outside of this, within the States, within the communities, within the private sector. And ACUS can provide a valuable role in that regard.

For those reasons, we urge you to continue to contribute to the support of ACUS so that ACUS can play a major role critical to the growth of dispute resolution in the Federal Government.

Thank you very much for this opportunity.

Mr. HOYER. Thank you very much for your testimony.

[The prepared statement follows:]

Testimony of Marge Baker in Support of the Administrative Conference of the U.S., March 23, 1994

Mr. Chairman, and members of the committee, thank you for the opportunity to participate in these hearings. I am pleased to present my perspective on the value and significant contributions of the Administrative Conference and the importance of a dispute resolution resource for the federal government.

I am Margery Baker, president of the National Institute for Dispute Resolution, often called NIDR. NIDR was created in 1983 by the Hewlett, Ford, MacArthur, and Prudential Foundations, and by AT&T, to help build the capacity to provide dispute resolution services and foster innovative approaches to their use. Over the past ten years, NIDR has grown into a nonprofit corporation that advances the field of dispute resolution through technical assistance, educational programs, publications, and demonstration projects. During this period, we have seen dispute resolution grow significantly.

NIDR has helped develop dispute resolution capacity in twenty-six state courts and the District of Columbia. Through conferences, trainings, and publications, we have encouraged the exploration and adoption of dispute resolution into standard court practice across the United States. We have supported the development of dispute resolution curriculum in law schools, business schools, and many professional graduate schools.

We have also built a network of 15 Statewide Offices of Dispute Resolution across the United States, as well as a consortium of eight U.S. and Canadian jurisdictions, that foster the growth of dispute resolution in state governments. These offices have settled a variety of complex public policy disputes. The results are significant; time and money have been saved and communities have come together to craft their own solutions.

These achievements have come during a phenomenal growth in the field of dispute resolution-- capacity has mushroomed; more sophisticated tools have been developed; and more creative applications for these tools have been devised. Let me offer some examples:

In 1980, 18 states had some type of dispute resolution program; by 1990, all 50 states and the District of Columbia had at least one such programs, for a total of over 1,200 in the United States.

Of the 175 accredited law schools in the country, less than 25 had classes in dispute resolution a decade ago. Now, more than 165 have dispute resolution programs, more than 99 percent.

Over the past 10 years, 600 major companies have signed the Center for Public Resources pledge to use DR before they engage inlitigation with other corporations that have also signed the pledge.

The number of insurance related cases using DR procedures now reaches an annual caseload of over 300,000.

Federal agencies with DR components grew from 2 in 1980 to 16 by 1990.

We are witnessing a real and responsive social change in the way citizens, communities, institutions, and nations use conflict resolution to achieve better solutions for themselves and society. What lies ahead is a new era in which conflict resolution approaches will fundamentally shape how governments, courts, communities, and citizens resolve conflicts and interact with each other.

ACUS has been a major proponent of dispute resolution in the federal government, serving as an information resource on dispute resolution tools and techniques, as a central contact for information on qualifed and competent third parties, and as an advocate and innovator in applying dispute resolution to the tasks of the federal government.

In 1990 Congress turned to ACUS and delegated responsibility for implementation of the Administrative Dispute Resolution Act and the Negotiated Rulemaking Act. It is helping the dispute resolution coordinators in every federal agency gain the knowledge and experience they need to avoid reinventing the wheel over and over again.

ACUS was also a pioneer in the application of Regulatory Negotiation or "Reg Neg" techniques, supporting its early development and spreading awareness of the tools in the federal government. Now, Reg Neg is used effectively in a wide range of rulemaking actions, from the EPA to the Corps of Engineers.

ACUS has also played a central role in improving the quality of dispute resolution programs. In its conference convened last fall on "Evaluating Federal ADR Programs," ACUS presented evaluations from three successful federal programs and suggested ways that this type of research could improve the quality and applicability of the lessons of DR throughout the federal government. This type of function is essential to the positive growth and development of federal DR, and turning to a knowledgeable organization such as ACUS is the most cost effective and efficient way to perform this service.

In recent months, the White House has signaled strong support and encouragement for federal agencies' use of dispute resolution methods through the Vice President's National Performance Review. This recommendation includes:

Greater use of negotiated rule making in federal agencies;

Expanded use of alternative dispute resolution techniques; and

Establishment of alternative dispute resolution methods and options for the informal disposition of employment disputes.

ACUS played a major role in laying the groundwork for these recommendations, and documented the successes upon which the recommendations are based. It is clear that ACUS will have a significant responsibility for implementing the NPR regulations, given its already extensive experience in this arena. ACUS has already led the way by spearheading a

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collaborative effort by national leadership organizations in the conflict resolution field to insure a comprehensive and inclusive approach.

As I am sure other testimony in these hearings will bear out, when agencies adopt dispute resolution approaches, cost savings are very likely to follow. The FDIC has documented savings of over $4.2 million dollars a year, and the RTC estimates savings at over $99 million dollars. And the Army Corps of Engineers have documented similar cost savings. These savings are just the tip of the iceberg.

The good news is that studies both of individual programs and larger scale inplementations of DR show that these savings can be significant, and that they increase as the programs become more sophisticated.

The even better news is that dispute resolution not only saves time and money, but it has the potential for creating better solutions through strengthening relationships, encouraging innovation, and building trust. When a DR process is appropriately designed and implemented, all parties feel their voices were heard and claim ownership of the result.

Corporations have already learned this lesson. They are bringing dispute resolution into their contracts, businesses, and workplaces, saving time and money. Communities have learned the same lesson, bringing collaboration and dispute resolution into their courts, their neighborhoods, and their families. Other nations have learned this lesson as well, as Canada has now made a dispute resolution roundtable a central component of its federal government workings.

The bad news is that it takes a lot of effort and sustained resources to change the culture of disputing. Through NIDR's
work in developing state offices of dispute resolution, we have learned how critically important a central source of information and advice is to the development of sound government programs, procedures and policies. The use of dispute resolution cannot just be mandated. As one director of a NIDR-supported statewide office of mediation said: "The offices are in the business of trying to change a paradigm of hundreds of years which has stressed going to court." Our statewide offices have had to provide training, technical assistance, and hand holding to agency personnel and parties over a number of years to reach their current levels of success.

The federal government can learn from the experience of our communities, states and corporations: dispute resolution works.
What is essential to its development is a central knowledge base, a capacity to synthesize and exchange information, an interagency convenor, a source of technical assistance, and governmental expertise. ACUS is uniquely positioned to play this role in the federal government. The cost of ACUS' operations will be more than justified not only by savings of resources and time but also by improved decision making and better solutions.

Mr. Chairman, in addition to my comments I would like to submit excerpts from a recent

NIDR publication that highlight the effectiveness of public policy dispute resolution.

Thank you for your time.

Statewide Offices of Dispute Resolution

Initiating Collaborative Approaches to Dispute Resolution in State Government

A Briefing Paper for State Policymakers

Summer 1993

By Kristen L. Dillon

For a collaboration of the National Institute for Dispute Resolution and the National Council of State Dispute Resolution Offices

NIDR - National Institute for Dispute Resolution
Margery F. Baker, President
Thomas A. Fee, Executive Vice President and Public Policy Program Director

EXECUTIVE SUMMARY

Over the past decade, dispute resolution processes such as mediation, facilitation, negotiated rulemaking and policy dialogues have become more common features upon the public policy landscape at every level of government. These processes, which are sometimes referred to by catch-all titles such as Alternative Dispute Resolution (ADR), Complementary Dispute Resolution, or Collaborative Problem Solving (CPS), have been most commonly used on an ad hoc basis to resolve conflicts that arise during policymaking. However, at least fourteen states have created, or are in the process of creating, systematic statewide offices of dispute resolution. The purpose of these offices is to provide and promote the use of new dispute resolution and collaborative decisionmaking techniques and to help states cooperatively manage, resolve and prevent conflicts that occur within government and between government and the public.

The purpose of this briefing paper is to highlight why dispute resolution offcies are beneficial to policymakers, to outline some of the "lessons learned" by the office directors with regard to creating a statewide office, and to provide a list of contacts and resources for further information. Examples of success stories and innovative programs initiated by the existing offices are briefly outlined in the text. More complete descriptions as well as a glossary of general dispute resolution terminology, a listing of resource materials, and a statewide office of develpment chronology are attached as appendices.

Why Create a Statewide Office of Dispute Resolution?

Dispute resolution processes can be a valuable means toward achieving the end of good government. Although conflict is an inevitable component of governing and policymaking, dispute resolution processes can be an efficient, cost-effective means of resolving conflicts and crafting policy and regulations to avoid future disputes. These approaches bring diverse stakeholders together to seek consensus or agreement in an open, informal setting, enabling parties to craft solutions in which all gain.

Experience has shown that these initiatives work especially well at the state level where many federal, state and local responsibilities are coordinated. Often at this level, the variety of interests can be more easily identified and convened than at the federal level. Case-specific mediation, policy dialogues, negotiated rulemaking, collaborating, cooperating and other dispute resolution methods can help state policymakers make and implement tough decisions.

Dispute resolution techniques have been successfully used to mediate and resolve a variety of complex conflicts arising in the course of policymaking. Examples include:

- *Facilitating an agreement on Medicaid long-term care reimbursement between state agencies, the governor's office, the legislature and various nursing home associations in Ohio.* The agreement resulted in the enactment of a modified prospective Medicaid payment system, which is expected to save the state $100 million over the next biennium by limiting the annual percentage increase in long-term institutional care costs. The agreement took four months to craft.

- *Mediating a public housing dispute involving a local housing authority, the federal government, and several national advocacy organizations in New Jersey.* After five months of mediation, a settlement was reached which allowed the city of Newark to destroy the bulk of its low-income, high-rise buildings in stages, while renovating existing housing and creating new housing for displaced tenants. Based on the agreement, the U.S. Department of Housing and Urban Development agreed to provide Newark with priority funding.

- *Crafting a statewide consensus on judicial restructuring in North Dakota.* After fourteen years of judicial restructuring, the state of North Dakota was faced with developing a mechanism to replace a two-tier system of district and county courts with a single trial court of general jurisdiction. A legislative proposal to accomplish this had been prepared, but had little support. Following several months of consensus-building involving the judiciary, county and state government and other affected parties, alternative legislation was crafted and approved by the Legislative Assembly.

- *Crafting consensus-based legislative proposals to help overcome a deadlock in the California Legislature on the issue of growth management.* By initiating a growth management policy dialogue between the environmental community, development interests, the business community and local government, the Growth Management Consensus Project was able to identify significant areas of consensus and "emerging agreement" across the growth management spectrum. The results were presented to the Legislature and incorporated into existing legislation. Participants met a total of thirteen days over eight months.

Alternatively, dispute resolution techniques are also being employed to address *whole classes of disputes, such as those arising from the implementation of specific legislation, or as an alternative channel or system to deal with numerous, similar disputes.* Examples include:

- *Mediating small claims court cases on Oahu, Hawaii.* Under pressure to reduce court caseloads and streamline the efficiency of the court process, a mandatory mediation pilot project was initiated in 1990. Mediation is mandatory and provided free of charge to parties on the same day and at the same time as their scheduled court appearance. Parties unable to reach settlement can return to the court immediately to have their case adjudicated. The pilot project was so successful that it was made permanent. Currently, over 50% of small claims cases are settled through mediation. In addition to this work with the small claims courts, the Hawaii Center for Alternative Dispute Resolution works with the executive and legislative branches of state government to resolve a wide variety of public policy disputes.

- *Mediating special education disputes arising between school districts, parents, students*

and county support and funding agencies. In addition to working across the entire range of public policy disputes, the Minnesota Office of Dispute Resolution recently initiated a program which allows special education disputants in Minnesota to resolve their disputes through voluntary mediation. Mediation is provided free of charge, by specially trained mediators. If a settlement is not reached, disputants can resort to either a conciliation conference or a due process hearing. Mediation typically lasts four to six hours.

- *Developing consensus on procedures for implementing growth management legislation in Florida.* A broadly-inclusive committee was created in 1991 to develop recommendations for improving the implementation of the 1985 Comprehensive Growth Management Act. After eight months of consensus-building among a wide array of diverse interests, consensus was reached on 174 procedural recommendations, ranging from modifications and additions to the state comprehensive plan, to establishing preferred procedures for handling planning disputes. These procedural recommendations were approved by the Florida Legislature in 1993.

- *Creating dispute resolution capacity within state and local governments.* The goal of the Oregon Dispute Resolution Commission's Public Policy Program is to build institutional capability within agencies so that they feel comfortable using mediation and other dispute resolution techniques in public disputes. Training is provided and the Program is available to assist agencies in specific conflicts. During its first three years, the Program has concentrated on working with the Department of Land Conservation and Development to coordinate efforts with the eleven natural resources agencies. Examples of the disputes resolved include a dispute involving instream gravel removal, and a dispute involving the construction of a flood control structure near endangered species habitat. Based on success of cases like these and the technical expertise provided by the Commission, significant funding was provided for the Program in the governor's FY 1993-1995 budget.

- *Resolving wetlands disputes through voluntary mediation.* Since 1990, the Massachusetts Office of Dispute Resolution (ODR) and the Massachusetts Department of Environmental Protection have provided mediation for parties involved in wetlands disputes. A voluntary program, the Wetlands Appeals Mediation Program, helps parties craft mutually satisfactory solutions to their disputes, at greater speed and less cost than going through adjudication. Specially trained volunteer mediators are provided by the ODR. The only cost to participants is a $500 fee paid to the ODR to defray administrative costs. Since 1990, over 80% of the cases handled by the Program have been successfully resolved.

The previous examples represent the range of work undertaken by each statewide office. The successes show that *when dispute resolution is appropriately used, it can be a very effective tool for addressing tough problems, crafting solutions and developing policy.* Although dispute resolution

is by no means a panacea, these techniques usually result in significant savings in time, expense and preservation of necessary community relationships. Even when dispute resolution fails to reach agreement, it is useful, as quite often the issues are more clearly understood and outlined, and the importance of the relationships between the parties has been realized and improved, thus easing resolution through another, more traditional channel.

Statewide offices of dispute resolution are resources for promoting and providing dispute resolution services within state government. Although not all of the offices are located within state agencies, each has established a clear relationship with at least one branch of state government. The relationship between state government and the offices distinguishes them from other private or non-profit dispute resolution providers. The link between dispute resolution and public policy can be very beneficial. The offices are a proven, effective way of institutionalizing this link.

Lessons Learned

Since NIDR launched its state offices of mediation program in 1984, experience with statewide offices suggests a variety of lessons that may be helpful to state policymakers and their staff interested in initiating a statewide dispute resolution program are included in the main text.

The most important "lesson learned" according to the directors of statewide offices of dispute resolution and others who have worked closely with these offices, is that *no two offices are alike and there is no single model for creating and structuring an office.* Each office must be created to best fit the needs of the state and the goals of its proponents. In addition, it is clear that no matter what shape an office takes, *support at the highest levels of state government is essential.* The offices cannot be established or operate effectively without the endorsement and support of at least one key policymaker and opinion leader in the state. Other lessons covered in the main text include identifying a useful role and mission, funding, maintaining neutrality, and building support for the office.

Mr. HOYER. I will say this to both of you. As you heard at the hearing, ACUS has not enjoyed in either committee in the Senate or the House side widespread, enthusiastic support. We zero funded it last year. The conferees cut the budget by $600,000 last year, in the Conference. The Senate, a couple years before that, as you know, had recommended reducing it substantially.

Essentially, the view of the Congress, of the House and Senate committees that oversee it, is not that it is not composed of very fine people—it obviously is. It, obviously, also has a pretty broad base of support of those who deal with it on a regular basis.

The question has been raised by the committee as to the product that it produces for the dollars that are expended and the ability to produce that same product in other settings.

Obviously, you have made the point, and others have made the point, that this is a unique institution and, therefore, if it is unique by definition, it wouldn't be done somewhere else.

This was, as you point out in your testimony, in 1961 created for a relatively limited purpose; and, in 1964, as so often happens, it was made permanent.

We are going to be looking at this entire issue very carefully this time. We should devote a full morning of hearing to ACUS alone, not because of the size of its budget but because it would warrant a full morning of hearings because of the fact that I think if you are going to eliminate an agency you really need to give them an opportunity to respond. So we will be reviewing your testimony very carefully, uniquely carefully, because of the position of this committee.

It is true, I think, that the National Performance Review references ACUS, and the Vice President, personally, clearly believes that ACUS can play a real role in reinventing government. To some degree, that is a change—to some degree, not a total change—but some degree of a change in the perception of the government as to ACUS' role, which appears to be expanding.

In any event, we appreciate your taking the time to get this information to the committee. We assure you it will be considered.

Mr. SUSMAN. Thank you.

Ms. BAKER. Thank you.

Mr. HOYER. Thank you very much.

I believe that concludes the witnesses that we have this afternoon. As a result of that, the committee is adjourned until tomorrow morning.

[Additional information submitted for the record follows:]

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March 24, 1994

Honorable Steny Hoyer
Chairman, Subcommittee on
Treasury Appropriations
U. S. House of Representatives
H164, The Capitol
Washington, DC 20515

Dear Mr. Chairman:

I was unable to attend the recent Subcommittee hearing which you held on the budget request for the Federal Law Enforcement Training Center located at Brunswick, Georgia within the First Congressional District. It was necessary for me to return to the District for official business activities that were previously scheduled for the morning of your hearing.

I am pleased to offer my strongest support for the budget request which the Administration has presented for FLETC. I also hope that you and your fellow Subcommittee members will give strong consideration to the contributions which the Center can make to help in the training which will be needed by the thousands of new police officers who will fill positions that result from the passage of the anti-crime package presently being considered by the Congress. Toward these ends, I am enclosing a statement for the Subcommittee's review, with the request that it be made part of the official record of the hearing on the FLETC budget request.

Your personal visit to the Center and the Brunswick was well received and we hope you will be able to return again soon.

Sincerely,

Jack Kingston
Member of Congress

Attachment

PRINTED ON RECYCLED PAPER

Representative Jack Kingston (First District, Georgia)

Statement of Support for the Federal Law Enforcement

Training Center Submitted to the Subcommittee on Treasury,

Postal Service, and General Government Appropriations

Chairman Hoyer, I want to thank you for the opportunity to present this statement to the Subcommittee in support of the Federal Law Enforcement Training Center (FLETC) fiscal year 1995 budget request of $53,528,000. As you know, the FLETC plays a vital role in the training of the Nation's law enforcement officers, equipping them with the skills necessary to succeed in the war against crime. I am pleased and proud that the FLETC is located in the district I am privileged to represent. From my visits to the Center and discussions with the Center's and the participating agencies' staffs, I have come to understand why the FLETC enjoys such an outstanding reputation as a leader in providing quality law enforcement training. They are a highly motivated group of individuals who are dedicated to providing the best law enforcement training available anywhere in the world.

FLETC has also worked hard at developing and maintaining a solid relationship with the residents and community leaders of Brunswick and Glynn County, Georgia. The Center has a tremendous impact on the local community's economy. Additionally, many of the Center's employees take an interest in and play an active part in supporting various charitable and civic activities by volunteering their own time and talents. Director Rinkevich has contributed to the

strong relationship between the community and the Center. He has volunteered many personal hours to various civic activities, encourages his employees to do the same, and has kept local leaders informed on Center activities affecting the community.

FLETC serves as a superb example of how consolidation of Government activities can work. Congress showed great foresight when it supported the establishment of the Center in the 1970's. Today, there are more than 70 agencies participating in over 200 quality training programs there. Mr. Chairman, during your recent trip to Brunswick to visit the Center with your Appropriations Committee colleague Congressman Darden of Georgia, I am sure you came to realize, as I have, that the FLETC facilities and talented staff are only possible because of consolidation. No single agency could afford to duplicate the state of the art facilities which exist there today.

Additionally, with more than 70 agencies participating in training, the FLETC is able to draw from a vast pool of expertise to complement its own excellent staff in the development and delivery of quality training programs. Although numerous benefits are realized through consolidated training, competing demands result in some agencies not embracing the concept of consolidated training as fully as others. Because of this, the relationship the FLETC enjoys with the participating agencies is a fragile one and must be constantly nurtured. Congress -- especially this Subcommittee -- has expressed its support of the Center -- and the consolidation approach -- on numerous occasions in the past and, I would hope, will continue to do so in the future.

Your personal tour of the facilities helped to underscore this valuable support. After your visit and tour of the Center, you told me you were impressed with the facility. As impressive as it is, Mr. Chairman, I am also sure you are aware that the demand for training

has exceeded the FLETC ability to provide that training on numerous occasions because of facility limitations. On those occasions the Center has either taken extraordinary measures to provide the training or in some cases, regrettably, had to defer providing the training.

Over the last several years Congress has appropriated more than $60 million dollars for construction of the FLETC Master Plan projects. The Subcommittee's support for this Master Plan is greatly appreciated. Completion of the Master Plan will allow the Center to meet the training needs of the participating agencies now and for the long term. This money is an investment in the future security of our Nation and, during my last visit to the Center, I was pleased to see the progress being made toward implementing the FLETC Master Plan. Many of the larger construction projects which have received funding are completed or are nearing completion.

Although I realize every effort must be made to control Government spending, I urge your Subcommittee to carefully consider the impact your decisions may have on the FLETC's ability to provide the quality training that our law enforcement officers and agents deserve. Additionally, please be aware that the normal problems FLETC faces in the maintaining such a high use facility are exacerbated by unexpected environmental problems encountered while performing routine maintenance or during the renovation and construction of new facilities. Problems such as lead paint and asbestos removal from existing facilities or the discovery of buried fuel tanks and buried solid waste left from the days when the facility was a military base are common occurrences at the Center. Much of this material is hazardous waste and requires special handling and disposal. This adds significantly to the cost of renovation of existing facilities and construction of new facilities.

Finally, Mr. Chairman, I would like to close by saying that because FLETC is such a

valuable asset, it is in a unique position to play an important role in assisting the Administration and Congress in accomplishing many of the initiatives now under consideration in pending anti-crime legislation. Particularly, I would call your attention to the excellent resources and capabilities of the National Center for State and Local Law Enforcement Training. The National Center has collaborated with other Federal agencies and state and local officials in the development and delivery of more than 40 specialized training programs. These programs have had a major impact on state and local law enforcement capabilities already and I am certain the National Center could be a major force in helping shape the efforts resulting from the enactment of an anti-crime bill. I would encourage you and the other Subcommittee members to carefully consider the assistance and resources FLETC can provide in meeting the increased training needs of the state and local law enforcement community.

I extend my deepest appreciation to this Subcommittee for all of the support and assistance provided to the Center over the years.

Statement

of the

Public Power Council

on

Treasury, Postal Service, and General Government Appropriations

April 14, 1994

The Public Power Council (PPC) is a regional trade association representing the 115 consumer-owned utility customers of the Bonneville Power Administration (Bonneville). Under the Pacific Northwest Power Planning and Conservation Act (Northwest Power Act), Bonneville serves an important role in the coordination of regional power supply. One key mechanism in that process, authorized under Section 9 (f) of the Northwest Power Act, enables municipal utilities to finance conservation and generation resources with tax-exempt bonds and sell the output of the facility to Bonneville which in turn utilizes the power to meet the need of municipal utilities in the region. As the region seeks to acquire new resources, this provision will become increasingly important. PPC believes that the Internal Revenue Service (IRS) needs additional guidance on the implementation of this provision if it is to function properly.

Background

Under existing law, only governmental entities -- including municipal and other state and locally owned utilities -- can issue tax-exempt bonds or benefit from the use of those bonds. For power facilities, with minor exceptions, the resulting electricity must be used exclusively by exempt entities (e.g., municipal utilities).

Congress realized, in drafting the Northwest Power Act, that a mechanism was needed to encourage municipal utilities to collectively acquire conservation and generation resources and to share in the benefits and risks of the system. Congress also felt that Bonneville was appropriately positioned to be the "hub" in the Northwest energy system. In order to further this role for Bonneville and encourage utility participation in regional power planning, it was necessary to fully preserve the tax-exempt financing ability of these municipal utilities.

Section 9 (f) of the Northwest Regional Act enables municipal utilities to issue tax-exempt bonds to finance conservation and generation resources and sell the

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Representing Consumer-Owned Utilities in the Pacific Northwest

output of the facility to Bonneville (which is not an "exempt" entity and therefore not otherwise not eligible to "benefit" from tax-exempt bond issuances). Under the provision, Bonneville must use the output to meet the energy needs of other municipal utilities in the region. Thus, the intent of existing tax law -- that only local governmental entities issue and benefit from tax-exempt financing -- is preserved. Bonneville merely serves as an intermediary in this process.

Role of Bonneville is Important

Although Bonneville's role is ministerial, its participation in the 9 (f) process is important for facilitating inter-utility coordination. By coordinating regional power planning and facilitating cost-effective power transfers, Bonneville:

- enables utilities to spread the benefits and risks of resource acquisition;
- facilitates aggressive acquisition of conservation and renewable resources; and
- provides smaller utilities with opportunities to develop new resources.

Use of 9 (f) Likely to Increase

For the first decade following passage of the Northwest Power Act, the region was in a power surplus with little need to develop new resources. Consequently, only two projects have been developed through the 9 (f) process prior to 1991. That situation has changed. Endangered Species Act compliance efforts have dramatically reduced the available generating capacity of the vast Northwest hydropower system. One nuclear plant has been shut-down and several others have been abandoned. And the region's population continues to grow. In addition, Bonneville is placing greater reliance on customer financing in its resource acquisition activities.

These factors combine to place greater importance on the efficient functioning of the 9 (f) process.

IRS Review Unnecessarily Slow and Cumbersome

Under Section 9 (f), Bonneville must certify that it is acquiring a new resource for the purpose of reselling the power to eligible governmental utilities. Then the IRS must make a determination, based on the Bonneville's certification, that the output will in fact be sold to eligible entities.

Currently, this process is not working efficiently nor serving the express purpose of the law. In the four applications submitted since 1991, the IRS has taken months to make its 9 (f) determinations. Each month slows the development of the resource and raises their cost. The region cannot afford the delay or additional costs.

Additional Guidance Needed

The IRS has not revised its 9 (f) process since 1985. Since that time, the Northwest energy picture has dramatically changed. PPC urges the subcommittee, in the report accompanying the FY 1995 appropriations, to direct the IRS to revise its 9 (f) rules to expedite the process and fully meet the intent of Congress that a resource financed by public entities and acquired by Bonneville for Bonneville's use in meeting other public entities' loads shall be treated the same as if the resource were taken directly into the public entities' system. It is critical that the 9 (f) process be drastically streamlined. Ideally, the IRS will develop self-executing rules that will eliminate the need for laborious case-by-case rulings.

PPC appreciates this opportunity to comment and looks forward to the Committee's assistance on this important matter.

78-806 O—94——8

CONGRESSMAN BILL RICHARDSON
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE AND GENERAL GOVERNMENT
HOUSE COMMITTEE ON APPROPRIATIONS
March 23, 1994

Thank you Mr. Chairman and Members of the Subcommittee, for the opportunity to testify today on a project which is of the utmost importance to my Congressional district in New Mexico.

RIO ARRIBA COUNTY COMPLEX

Rio Arriba County is located in rural Northcentral New Mexico. When the county was established in 1852, the county seat was established in Tierra Amarilla, a community which was the central location of the water supply that was important to the agriculture economy which sustained the majority of the residents in the county. Today, development in Rio Arriba County places seventy-five percent of the population sixty miles away from the county seat in the community of Espanola. The county finds it an increasing financial burden to locate services for the majority of the population in a community so distant from the county seat.

Currently, Rio Arriba County rents commercial buildings spread throughout the city of Espanola to house county offices such as the sheriff department, probation office, district attorney and magistrates, county planning and zoning office, agriculture extension office, and county health offices. Rio Arriba County needs a complex in Espanola that will centrally house county services. The county already has possession of land adjacent to the main street area that is available for such a complex. The county simply needs assistance in constructing a facility to house these services.

I respectfully request $3.5 million for a Rio Arriba County Complex for FY 1995, in order to meet the increasing needs of the community of Espanola, New Mexico.

GREENBACK POLL

-Final topline data-

Prepared for:
Leonard, Ralston, Stanton & Danks

Prepared by:
Yankelovich Partners Inc.

February 14, 1994

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Greenback Poll

Final Topline Data

The following are the results of the U.S. currency survey conducted February 8-13, 1994. The survey was conducted by telephone among 1,002 adult Americans. The sampling error is plus or minus 3%. Percentages are based on the total number of respondents, unless otherwise indicated.

1. Congress is currently considering legislation that would create a new one dollar coin. This coin would be minted in the United States and have similar characteristics as current U.S. coin currency in its metallic and anti-counterfeiting properties. Do you favor or oppose this legislation to create a new one dollar coin?

	%
Approve	34
Disapprove	42
Neither approve or disapprove (VOL.)	21
Not sure (VOL.)	3

2. The government is also considering legislation that would discontinue the production of the one dollar bill, should the new dollar coin legislation pass. Do you favor or oppose abolishing the dollar bill and replacing them with one dollar coins?

	%
Favor	20
Oppose	65
Neither favor or oppose (VOL.)	13
Not sure (VOL.)	2

IF OPPOSE IN Q.2 (N=655)

3. Which of the following are reasons why you oppose legislation for a new dollar coin:

	%
There is a 125 year tradition of the U.S. dollar bill	44
The dollar's not broke, why fix it	75
The dollar's role as leader of the world currency	50
The dollar bill is easier to use than a coin	88
Other _____ (VOL.) SPECIFY	7
Don't Know (VOL.)	2

Greenback Poll

Final Topline Data

4. Opponents of the new one dollar coin claim that a coin would cause corresponding increases in prices paid for use of such things as parking meters, pay telephones, or laundromats, as well as raising the consumer's cost of items bought from vending machines. How likely do you feel that coin-operated machines will raise their prices should a new dollar coin be minted? Do you think this is very likely, fairly likely, somewhat likely or not at all likely?

	%
Very likely	38
Fairly likely	13
Somewhat likely	20
Not at all likely	23
Not sure (VOL.)	6

5. If a new dollar coin is minted, the government, as part of this change, would conduct a public relations campaign -- paid for by government funds -- to persuade people to use the new dollar. Do you favor or oppose spending government funds to conduct a campaign to persuade people to switch from the dollar bill to a new dollar coin?

	%
Favor	11
Oppose	86
Not sure (VOL.)	3

CLASSIFICATION

READ:
Finally, I have a few questions for classification purposes.

A. What is you age?

	%
18 - 24 years	14
25 - 29 years	13
30 - 34 years	10
35 - 39 years	11
40 - 49 years	15
50 - 64 years	19
65 years and over	16
Refused	2
Average	*43 years*

Greenback Poll

Final Topline Data

B. What is the last grade of school you completed?

	%
8th grade or less	5
Some high school	13
High school graduate	32
Some college	23
College graduate	16
Postgraduate study	9
Refused	2

C. What is your marital status?

	%
Married	57
Single and never married	22
Divorced or separated	11
Widowed	8
Refused	2

D. Is your total family income before taxes:

	%
Less than $20,000	25
$20,00 - $35,000	23
$35,000 - $50,000	18
$50,000 - $75,000	13
$75,000 and over	7
Refused (VOL.)	14
Average	*$37,500*

E. Are you of Hispanic origin or descent?

	%
Yes	7
No	90
Refused (VOL.)	3

Greenback Poll

Final Topline Data

F. What is you race? Are you white, black, Asian, or something else?

	%
White	80
Black	11
Asian	1
Hispanic (VOL.)	3
Other (VOL.)	2
Refused (VOL.)	3

G. Sex

	%
Male	48
Female	52

Region

	%
Northeast	21
Midwest	25
South	34
West	20

TESTIMONY OF

FATHER THOMAS O'MALLEY

PRESIDENT OF

LOYOLA MARYMOUNT UNIVERSITY

LOS ANGELES, CALIFORNIA

BEFORE THE

HOUSE APPROPRIATIONS SUBCOMMITTEE ON TREASURY,

POSTAL SERVICE AND GENERAL GOVERNMENT

MARCH 23, 1994

Mr. Chairman, distinguished Members of the Subcommittee, I would like to thank you for giving me the opportunity to submit testimony for the record, once again, concerning the initiatives of Loyola Marymount University (LMU) and its Center for International Business Studies. I would also like to express my gratitude to the Subcommittee for its long-standing support of the Center. The purpose of my statement is to give you an update on the development of the Center and the success it has achieved during the past year.

As you will recall, the mission of the Center for International Business Studies is to serve as a model facility which will focus on programs that provide detailed information and training in international commerce. The federal purpose of this project, and its most unique characteristic, is to serve as a model for future facilities which will focus on programs to assist businesses and students by providing detailed information and training specific to international cultures and markets. The federal government will have no obligation for the operation of the Center. There will be training programs and informational services which will certainly be available to federal agencies and employees, but the University does not envision requesting operating funds for the Center. Future funds, as in the past, will be used to continue the construction of the Center for International Business Studies facility.

Since the Center for International Business was begun, the Los Angeles County community has been hit hard by lay-offs in the aerospace industry. As you know, over the course of the last two years alone, the aerospace industry in Los Angeles County has lost close to 80,000 jobs, and in light of the recent disasters in California, the situation has become even more grave. The conditions within Los Angeles are indicative of the staggering decline in economic growth which demonstrates and highlights the concerns over U.S. trade deficits and our Nation's declining competitiveness. As concern has reached critical levels, we have been forced to expedite our efforts to find solutions. To successfully resolve these problems, we must acquire renewed energy, enthusiasm, intelligence and resources. It is my belief that our Center is a positive force in this endeavor. We are asking for continued congressional support necessary to motivate not only the Nation's cities and states, but also non-profit organizations and other institutions of higher education to strive to regain the competitive edge in the international marketplace.

Loyola Marymount University is dedicated to developing the Center for International Business Studies to improve the effectiveness of U.S. education and training for global economic competitiveness. Due to the creative and determined efforts of both the faculty and the student body, the still-developing Center has been both self-starting and entrepreneurial. Loyola Marymount takes pride in playing a role in helping to train students and business professionals to more effectively operate in the world trade environment. For example, the Center's formula for teaching MBA students is to train them to think about business in international terms. The MBA program does not follow traditional textbook theory, nor does

it exclusively focus on domestic business practices and techniques. Rather, it consolidates data on peoples, their cultures and their politics, and combines it with information on economics, finance, marketing and production. Loyola Marymount University's program operates on the philosophy that one cannot fully understand the success of some nations in international economic competition unless one grasps the forces that drive their people, nor that these forces are exclusively economic.

The Center has identified opportunities for new associations to enhance international competitiveness. A cooperative program was designed between the Colleges of Business Administration and Science and Engineering. The proposed degree in Engineering and Production Management will concentrate on quality and profitability in the globally competitive environment.

Through its Center for International Business Studies, Loyola Marymount is helping to find solutions to the United States' challenges in international trade and has designed a comprehensive plan that will enable it to make additional contributions both in the immediate future and in the years to come. The Center for International Business Studies, in cooperation with the Export Managers' Association, is beginning the development of an exporter's data base for the three-county area of Los Angeles, Ventura and Santa Barbara. Ultimately, business leaders will be able to obtain assistance in the process of exporting. This information will enhance U.S. competitiveness and help to reduce the Nation's trade deficits.

Through its education and training activities and the Export Managers' Association, the Center for International Business Studies will address a broad spectrum of the Nation's international trade deficit and competitiveness problems. Generations of American managers do not believe in the necessity for "trade to survive." Most do not even think about the issue. These attitudes need to change, and the Center for International Business Studies is prepared to help effect such a change.

Another subject we have been actively exploring is foreign buyers and their buying patterns in the trade show arena. Research we are conducting reveals that if foreign buyers attend a trade show, they are potential customers and should be treated so. How we attract foreign buyers and close a sale is a special challenge, and our research is showing us how to do this more effectively. These data will facilitate greater export growth, jobs and competitiveness.

International business has been a field of study for many years, but has been avoided by most U.S. students and subjected to a parochial view by many faculty. In recent memory, few real leaders of international business have emerged in the United States. This is not to say that U.S. firms have not been successful internationally, but the basis for their success is today being challenged by foreign firms with equal or greater strength and vigor. Because business leaders in the U.S. are not trained to aggressively examine worldwide business conditions, altering markets, changing economic, social, cultural and political

conditions, and to anticipate new opportunities in emerging markets, U.S. export trade risks falling into stagnation.

Because Los Angeles, home to the Center for International Business Studies, is internationally prominent, culturally rich, and the Gateway to the Pacific Rim, the Center enjoys the benefits of being strategically located to implement its initiatives. I need not tell you that as the Nation and the world enter the Age of the Pacific, there is no location more ideal than Los Angeles. The Center for International Business Studies is in a position to address, through the development of managerial skills for global competition, the problems of the U.S. in the international market. I want to take this opportunity to emphasize that language skills must be combined with those disciplines which will utilize them to solve our national economic problems. Problems cannot be solved by language instruction only, but must be combined with education in economic and cultural enlightenment of future business leaders. Loyola Marymount University offers extensive study in numerous languages including Japanese, Chinese, and Russian, as well as Spanish, Modern Greek, French, German and Hebrew.

With the leadership of this Subcommittee, we have begun to establish the Center for International Business Studies as an anchor for economic revitalization of our Nation. Through generous past funding of this Subcommittee, the Center today is recognized as a model facility focusing on programs that provide information and training in international commerce specific to other cultures and markets, and to prepare students to think in international terms. It stands as the exemplar of how federal-university partnerships can contribute to the preservation and growth of an economically troubled community.

Mr. Chairman, I believe that the continuing support of your Subcommittee in the development of this facility is vital to keeping the United States competitive. In its role as protector and standard setter for the quality of federal facilities and accomplishing optimum design potential for those facilities, the General Service Administration establishes models for institutions nationwide. Further support of the Center for International Business Studies at Loyola Marymount University will enable us to continue our role as a model for this type of Center. This can be replicated elsewhere, and its existence on this campus will enhance the university's mission of education in international programs. Ultimately, it will be one of the cornerstones of a revitalized economy.

Therefore, Mr. Chairman, we respectfully request $5.5 million in federal funding. Your leadership and support are deeply appreciated by the entire Loyola Marymount University community. While I am sensitive to the difficult financial restraints facing your Subcommittee this year, I feel confident that further support of the Center will pay tremendous dividends in increased competitiveness and magnified economic development for our country at a time when it is most needed.

Thank you, Mr. Chairman.

Office of the President

April 29, 1994

Ms. Jennifer Mummert
Administrative Aide
Subcommittee on Treasury, Postal Service
and General Government
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515-6028

Dear Ms. Mummert:

Listed below are my responses to questions posed during my testimony before the House Subcommittee on Treasury, Postal Service and General Government on March 23, 1994.

1. What organization would be the recipient of the Federal funds requested?

   Loyola Marymount University

2. How much money are you requesting from this Subcommittee for FY 1995?

   $5.5 million

3. What would these funds be used for?

   To complete construction of the facility for the University's Center for International Business Studies.

4. What is the Federal purpose of the specific project for which this organization is requesting funds from the Subcommittee?

   The purpose of Loyola Marymount University's Center for International Business Studies is to serve as a model facility which will focus on programs that provide detailed information and training in international commerce. The federal purpose of this project is to serve as a model for future facilities which will focus on programs which will assist business and students by providing detailed information and training specific to international cultures and markets.

Loyola Marymount University
Los Angeles, California 90045 (213) 338-2775

Ms. Jennifer Mummert
April 29, 1994
Page Two

5. What will be the ongoing Federal operations at the facility or program involved once it is operational?

The federal government will not have any obligation for the operation of the Center. There will be training programs and informational services which, in the future, would certainly be available to federal agencies and employees, but the university does not envision requesting operating funds for the Center.

6. Are you requesting any funds for non-construction purposes?

No.

7. What is the total expected cost of the project?

$22,192,000

8. How much state, local or private funds will be used for the project?

No state or local funds will be used for this project. Approximately $12,192,000, or roughly 60% of the funds will come from private sources including university, corporations, foundations, and individuals.

9. For FY 1994, what is the total amount of Federal funds that this organization received, and what activities were funded by these amounts?

In FY 1994, the University did not received any Federal funding.

10. Has the project received Federal funds in the past? In what fiscal years were those funds received, and how much?

Yes. The University received $4 million in FY 1991 in the Treasury Postal Appropriations Bill.

11. Are you seeking funds this year from any other Federal source, or any other Subcommittee?

No.

Ms. Jennifer Mummert
April 29, 1994
Page Three

12. Will you be seeking additional funds from this Subcommittee or any other Appropriations Subcommittee in the future?

No. Unless the funding is not sufficient to complete construction of the Center.

13. Is your organization currently represented by any individuals, law firm, lobbying firm, or other organization for the purpose of obtaining Federal funds?

Yes, in addition to other services, we have retained a firm to assist Loyola Marymount University in dealing with complex Executive and Legislative Branch activities.

Please don't hesitate to contact me if I can be of further assistance.

Sincerely,

Rev. Thomas O'Malley, S.J.

STATEMENT OF
ELIZABETH HEDLUND, PROJECT DIRECTOR, FEC WATCH
CENTER FOR RESPONSIVE POLITICS

SUBMITTED TO THE
HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON TREASURY,
POSTAL SERVICE, AND GENERAL GOVERNMENT

IN SUPPORT OF
OF THE FEDERAL ELECTION COMMISSION'S
FISCAL YEAR 1995
BUDGET AUTHORIZATION REQUEST

March 17, 1994

This statement is submitted by the Center for Responsive Politics in support of the Federal Election Commission's Fiscal Year 1995 budget request.

In 1991, the Center for Responsive Politics established "FEC Watch" as an ongoing project to monitor and provide critical analysis of the Commission's regulation of the campaign finance laws. During the last three years, the Center has issued numerous reports and recommendations for strengthening the Commission through amendments to its enabling statute and improvements to its internal procedures. For the reasons enumerated below, the Center urges this subcommittee's approval of the Commission's request for $31.8 million and 347 staff to support its activities in FY 1995.

The Federal Election Commission is the single agency charged with regulating the nation's campaign finance system. It was created by Congress 20 years ago in response to a campaign scandal which shook the nation and

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brought down a presidency. Congress established the FEC as an independent campaign enforcement agency in order to correct years of non-enforcement under the Justice Department. Today, when voter confidence in that campaign system is spiraling downward, it is critical that Congress demonstrate its commitment to independent and vigorous enforcement of the law by providing the FEC with the resources it needs to do its job.

We urge this committee to support the Commission's full request, for two reasons: First, the Commission's current resources are not adequate for the agency to carry out its responsibilities under the law. That is not a reflection on this committee, which, to its credit, has supported the Commission's budget requests over the years. The situation results instead from a number of problems, including a virtual explosion in the amount of campaign finance activity, as well as federal employee pay increases which were mandated — but never funded — by Congress last fall.

Secondly, both President Clinton and Congressional leaders promise to enact major changes to the campaign laws in this session. While none of us knows at this point exactly what those changes will be, it is certain that new legislation will mean significantly increased responsibilities for an FEC already hampered by insufficient resources.

The Center is puzzled and troubled that President Clinton's budget proposes some $4.5 million less in funds and 53 fewer staff persons than the Commission's request. We are puzzled because this President has made repeated promises to make campaign reform a priority of his Administration; and what better way to fulfill this commitment than by putting full resources into the agency created to monitor and enforce compliance with the campaign finance laws? We are troubled because President Clinton's proposed budget cuts, if agreed to by Congress, would be devastating to the FEC's already limited ability to uphold the integrity of the campaign laws.

Last fall, the Center called on the Administration to support the FEC's full budget request. (Copies of two letters from the Center to the Office of Management and Budget are submitted with this statement for inclusion in the committee's hearing record.)

Public concerns about reducing the FEC's budget have also been raised in the press. A recent New York Times editorial noted, "Instead of enhancing the F.E.C.'s ability to enforce the law, and signaling a commitment to making it work, Mr. Clinton's proposed budget fails to provide enough money for the agency to keep up with its current mission, much less plan for an expanded role."

An article in last week's National Journal, noting the President's proposed FEC budget cuts, stated, "(I)t's not clear that the Clinton Administration wants to give the Federal Election Commission the money it needs to carry out the reform proposals, many of which the White House supports." (The New York Times editorial and the National Journal article are submitted for inclusion in the record of this hearing.)

Congressional leaders have also promised to make campaign reform a priority in this session. While the details of legislation remain to be settled, this committee can take a concrete step to demonstrate its commitment to reform by authorizing the full dollar amount and staffing level the Commission is requesting.

Impact of Administration's budget cuts

The President's budget, if accepted, would seriously hinder the Commission in two ways: First, it significantly reduces the overall dollar amount the FEC is seeking to a level which would barely sustain the Commission's current programs. Secondly, it actually prevents the Commission from maintaining its current programs by requiring the Commission to reduce its staff size to below its currently authorized level.

Today, with total expenditures in the last election exceeding two *billion* dollars, the FEC is authorized to employ 320 staff. The Clinton Administration proposes to cut that staff back to 294. And in fact, because the Administration's budget does not fund cost-of-living and locality pay increases mandated by Congress, the personnel funds available to the Commission under the Clinton plan would in reality cover only 276 staff members.

It simply defies logic, as well as common sense, to think that the FEC can suffer such deep staff cuts and at the same time maintain its current level of operations, much less improve its performance or take on additional responsibilities. The Commission must be given sufficient resources.

Ironically, the President's budget ax would cut most deeply into two specific areas where the Commission has been most widely criticized, and in which the Commission is proposing new initiatives to improve its performance. Those areas are audits and enforcement.

Audits

In 1980, the Federal Election Commission had 42 employees on its audit staff. Today, it has 30. President Clinton's budget plan would prevent the FEC from restoring its audit staff to even its 1980 level. If Congress were to go along with the Administration proposal, it would result in serious implications for both the audit of publicly funded presidential candidates, mandated by statute, and the Commission's ability to audit congressional candidates, political action committees, and political party committees, even where strong evidence of violations exists.

Presidential candidates

In a 1992 study of the FEC's presidential audits program entitled, *"Who's Keeping Track? The Presidential Election Campaign Fund and the FEC,"* the Center found that, with each four-year presidential election cycle, the FEC was taking longer to complete audits of the publicly funded candidates' campaigns. The Center called on the Commission to adopt several procedural changes to improve and speed up its auditing process. We also called on the Commission to request, and Congress to provide, the resources necessary to complete presidential audits within two years of the general election.

That same year, Members of the FEC's authorizing committee pressed the Commission on ways in which the FEC could improve its presidential audits record. To its credit, the Commission responded with the adoption of several new procedures which would, in its words, "result in fuller and more timely public disclosure of audit findings," starting with the 1992 campaign.

The final results remain to be seen. However, from a recent status report provided by its Audit Division, the Commission appears to be well ahead of its 1988 audit schedule. It has accomplished this, in part, by shifting virtually all of its auditing staff to the presidential campaigns. As in prior presidential years, the Commission has also benefited from the loan of GAO audit personnel, assistance that will no longer be available to the FEC for future presidential campaigns. If Congress goes along with the Administration's budget and does not increase the FEC's audit staff, it will invite a return to the Commission's unacceptable performance of the previous campaign, when the audit report on President Bush's 1988 primary campaign was not released until just weeks before the 1992 primaries began.

Congressional candidates, PACs, political party committees

The severe staff shortage, combined with the statutory mandate that priority be given to publicly financed presidential committees, effectively prevents the Commission from auditing congressional candidates, PACs and party committees. The only non-presidential committees that the FEC is authorized to audit are those which fail to meet a threshold of "substantial compliance" with the law, as determined from a review of their disclosure reports by FEC staff. In fact, the low number of such so-called "for cause" audits by the FEC is startling, as illustrated in the chart below.

Audit Reports Issued by FEC 1985-93
(Non-presidential committees)

Type of Committee	1985	1986	1987	1988	1989	1990	1991	1992	1993
Senate Candidates	0	0	0	0	1	0	2	0	0
House Candidates	2	2	6	0	0	0	3	4	4
National Parties	0	0	0	0	0	0	0	0	0
Other Parties*	1	3	5	4	1	0	0	2	4
PACs	1	5	1	4	0	1	0	1	2
Total	4	10	12	8	2	1	5	7	10

*Includes minor national, state, and local party committees

Using the Commission's criteria for "substantial compliance" with the law, the FEC staff identified 100 committees in the 1992 election cycle whose disclosure reports showed sufficient evidence of violations to warrant audits. Because of the shortage of staff, however, the Commission will be unable to audit more than 20 of those committees. That's 20 audits out of more than *8,000 committees* required to report their campaign finance activities. If Congress wants the FEC to be an effective enforcement agency, it must provide the Commission with the audit staff it needs to examine campaign committee records and documents in order to determine whether any laws have been broken.

Enforcement

Along with the capability to conduct audits of congressional candidates, PACs, and party committees, the Federal Election Commission must be given sufficient legal staff to pursue the enforcement cases which will be added to its workload as a result of those audits.

At the same time, the FEC needs to get its ever-growing backlog of enforcement cases under control. Individuals and groups who file complaints, persons who are the subjects of complaints, members of the press, and Members of Congress have all expressed frustration with the length of time required by the Commission to resolve complaints and FEC-initiated investigations. At the end of 1993, the Commission held a press conference to announce that it had adopted a system of prioritizing its caseload, developed by its Office of General Counsel and intended to focus enforcement resources on more serious violations of the law. The Commission also announced that it would seek higher fines against those who break the law.

In implementing its new enforcement priority system, the Commission dropped nearly 140 cases which it said did not meet its criteria for legal action, in some instances because the cases had simply gone too long without a resolution. Whether the FEC's new enforcement priority system results in more effective pursuit of violations, or whether it simply allows more wrongdoers to cross the legal limits without fear of reprisal remains to be seen; but one thing is certain: If Congress goes along with the staff cuts proposed in the President's budget, the Federal Election Commission's ability

to enforce the campaign finance laws will be seriously diminished, violators will ignore the law with impunity, and public confidence in the integrity of the campaign process will be irreparably damaged.

One of the new initiatives for which the Commission is seeking additional staff is intended to respond to criticism of the FEC for failing to sufficiently monitor and enforce compliance with the $25,000 annual overall contribution limit. While evidence of violations can be found in disclosure reports in the FEC's own files, the Commission has no internal monitoring system, relying instead on outside complaints and press reports to turn up problems.

Last March, the Commission announced that it had obtained fines from ten individuals who had exceeded the limit, after an investigation stemming from a 1990 article in the Los Angles Times. Just eight months later, however, the Los Angeles Times reported that another 109 individuals had exceeded the $25,000 limit in the 1992 election cycle, based on a review of FEC records. Furthermore, several complaints filed by the Center for Responsive Politics against individuals for exceeding the limit, and going back as far as 1990, still have not been resolved by the Commission.

Unless the Commission monitors compliance on an ongoing basis, wealthy contributors will continue to ignore the statute's $25,000 limit without detection by the FEC. According to its FY 1995 budget request, the Commission has developed a pilot program to monitor compliance by individual donors and it now seeks the additional staff needed to put the system into routine operation for the 1994 cycle. Having researched disclosure records in connection with complaints against over 75 individual donors who exceeded the contribution limits, the Center is aware that such a monitoring program is very labor intensive. It is necessary, however, if contributors are ever going to take the law seriously. We urge you to provide the Commission with the staff it needs to monitor and enforce the $25,000 contribution limit.

Electronic filing

The Center strongly supports the Commission's request for additional resources to initiate an electronic filing program for committees which are required to file disclosure reports with the FEC (i.e., PACs and political party committees). We urge Congress to ensure that electronic filing be extended to congressional candidates, who are required to file their disclosure reports with the House and Senate, rather than with the FEC.

However, we cannot approve of obtaining electronic filing only at the cost of deep cuts in the FEC's compliance operations, the effects of the President's proposal. By directing $4 million of the FEC's funds to go to electronic filing and other computer upgrades, the Administration's budget would prevent the Commission's proposed new audit and enforcement initiatives described above. Even worse, it would severely hamper the Commission's current compliance programs.

Congress cannot allow these trade-offs to be made, trade-offs which could be avoided with full funding for the Commission. The FEC and candidates must be brought into the twentieth century with electronic filing, and the Commission must undertake more aggressive audit and enforcement activities. Neither the Commission nor the public it serves should be forced to choose between public disclosure and compliance with the laws. They are both part of the FEC's mandate.

Conclusion

In conclusion, the Center for Responsive Politics believes that the budget and staff cuts proposed for the FEC by the President's budget will have debilitating effects on the agency's ability to administer and enforce the campaign laws, even before any changes are made in those laws. We ask you to support the Commission's full budget request. Recognizing that all agencies will be affected in these times of budget-cutting, we strongly urge you, at a minimum, to authorize the FEC at sufficient funds to maintain its current level of staffing and activities. Thank you.

November 29, 1993

Leon Panetta, Director
Office of Management and Budget
Old Executive Office Building
Washington, DC 20503

Dear Mr. Panetta:

We are writing to urge the Office of Management and Budget to support the Federal Election Commission's Fiscal Year 1995 budget request.

The Center, which monitors and provides critical analysis of the FEC's operations, supports the Commission's effort to strengthen its performance as outlined in its budget request, and we urge the Clinton Administration to endorse the FY 1995 request. The Commission's request for $29,828,000 and 347 full-time personnel is vital to meeting its responsibilities to vigorously monitor and enforce the nation's campaign laws. The increases in funding and personnel which the Commission seeks in FY 1995 are needed to augment its activities in order to prevent serious deficiencies in the FEC's enforcement and public disclosure programs.

Let us highlight three important aspects of this request:

• The Commission's request for an additional $1.1 million dollars to increase its audit capabilities is justified and long overdue. The Commission has been widely and justifiably criticized for the length of time taken to complete audits of publicly funded presidential campaigns. Furthermore, audits of non-presidential committees are virtually non-existent because of insufficient audit personnel. The Commission's budget request addresses this problem with a significant increase in audit staff and a proportionate increase in its enforcement staff to pursue potential violations turned up by the additional audit activity.

• The Commission's request for an additional $4 million to initiate the start-up of a system of electronic filing of campaign reports, as well as to update its computer systems, is well justified. Electronic filing would enable the Commission to provide the American public with a much broader amount of campaign finance information and to do so in a speedier fashion. Electronic filing would also enhance the Commission's ability to detect possible violations of the law, since audits and cross-checking of information contained in disclosure reports could be done by computer.

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• The Commission's request of $238,600 to monitor and enforce compliance with the annual aggregate contribution limit of $25,000 is long overdue. Adherence to this limit is a basic tenet of the campaign finance laws. This is another area where the Commission's enforcement record has historically been lacking. Additional staff are needed to conduct an ongoing review of FEC records, specifically for monitoring compliance with the limit, and to pursue enforcement action against apparent violators.

President Clinton has often cited campaign finance reform as a top priority. Now the Clinton Administration has an opportunity to demonstrate its commitment to rigorous enforcement of the campaign laws already on the books in a very concrete way, by giving its full support to the Federal Election Commission's budget request. We urge you to do so.

Sincerely,

Elizabeth Hedlund
Project Director
FEC Watch

Ellen S. Miller
Executive Director
Center for Responsive Politics

cc: Isabel Sawhill
Michael Waldman

December 20, 1993

Leon E. Panetta, Director
Office of Management and Budget
Old Executive Office Building
Washington, DC 20503

Dear Mr. Panetta:

We write regarding the recent Office of Management and Budget proposal dramatically slashing the budget request of the Federal Election Commission for Fiscal Year 1995. The Center for Responsive Politics firmly believes that such reductions, if actually implemented, would seriously damage the FEC's ability to enforce the campaign laws and to protect the integrity of the election process. We therefore urge OMB to endorse the FEC's revised request of $31,793,000 and 347 staff personnel.

President Clinton has very publicly and repeatedly voiced his intention to bring significant reform to the political process, including the campaign process. Deep cuts in the FEC's budget would contradict the President's own commitment by denying the Commission the resources it needs to oversee and enforce the law, regardless of whether any changes are made in the statute.

OMB's proposal comes just as the Commission has announced specific steps to improve its enforcement record. The Center, which has often been critical of the FEC's performance, applauds the Commission's recent public commitment to move more quickly against violators, to seek higher penalties, and thus, hopefully, to increase compliance with the laws. As we all know, however, effective enforcement is labor intensive. The Commission has been operating for too long with an insufficient number of compliance personnel. If forced to continue this way — or, worse, to reduce staff — the campaign laws will become meaningless and public confidence will be irretrievably lost. This does not match President Clinton's promise of political reform.

We once again urge the Clinton Administration to support the full funding and personnel level requested by the FEC for Fiscal Year 1995.

Sincerely,

Elizabeth Hedlund
Elizabeth Hedlund
Project Director
FEC Watch

Ellen S. Miller
Ellen S. Miller
Executive Director
Center for Responsive Politics

cc: Isabel Sawhill, Program Associate Director

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The New York Times

Founded in 1851

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ARTHUR HAYS SULZBERGER, *Publisher 1935-1961*
ORVIL E. DRYFOOS, *Publisher 1961-1963*
ARTHUR OCHS SULZBERGER, *Publisher 1963-1992*

NEW YORK, SATURDAY, FEBRUARY 19, 1994

Federal Election Omission

President Clinton says he is foursquare for serious campaign finance reform. But he has a strange way of showing it.

His impassioned speechmaking notwithstanding, Mr. Clinton silently stood by last year as House Democrats hatched and passed a campaign finance measure designed to keep money from special-interest political action committees flowing to incumbents. Its weak provisions now pose an obstacle to serious reform as the issue moves to a House-Senate conference committee.

Recently Mr. Clinton made the task even harder. He quietly set back the cause of campaign reform by shortchanging the Federal Election Commission in his proposed 1995 budget.

A strengthened law will mean significant new responsibilities for the notoriously weak F.E.C. — the agency charged with keeping candidates within the rules. Instead of enhancing the F.E.C.'s ability to enforce the law, and signaling a commitment to making it work, Mr. Clinton's proposed budget fails to provide enough money for the agency to keep up with its current mission, much less plan for an expanded role. The $23 million Mr. Clinton allocates for next year — about $9 million less than the agency had requested — will actually force a cut in its operations.

Granted, money is tight. But in a $1.5 trillion budget, surely it is possible to find at least the modest $3 million more needed to fund the F.E.C. at its current operating level. In another disappointment, Mr. Clinton has announced he will renominate two longtime members of the six-member commission, Lee Ann Elliott, a Republican, and Danny McDonald, a Democrat, rather than select distinguished new members who might help break the agency's partisan gridlock.

Where is the Bill Clinton who has pledged time and again to make campaign finance reform a top priority?

POLITICS **JAMES A. BARNES**

A COMMITMENT TO REFORM?

In his inaugural address, Bill Clinton struck a note of political reform that few Presidents reach in their maiden speech to the nation. Conjuring up the image of lobbyists lurking around every column of the Capitol, Clinton said that Washington "is often a place of intrigue and calculation. . . . Let us resolve to reform our politics so that power and privilege no longer shout down the voice of the people," he declared. "Let us give this Capital back to the people to whom it belongs."

But as Members of Congress begin to sit down to iron out their differences over campaign finance reform legislation that might measure up to the President's stirring oratory, it's not clear that the Clinton Administration wants to give the Federal Election Commission (FEC) the money it needs to carry out the reform proposals, many of which the White House supports.

The President's fiscal 1995 budget proposes $27.2 million for the FEC, with $4 million of that sum dedicated to beginning a program of electronic filing by candidates and political committees. The total request, according to FEC chairman Trevor Potter's calculations, would force the commission to reduce its work force by 10 per cent, from the 320 full-time employees it's currently budgeted for to a staff of only 287.

In an era of tight budgets, everyone is expected to take a hit. But it may not make much sense to chop away at an agency that could have even more work to do if Congress passes and Clinton signs a campaign finance reform bill this year.

"It's damned obvious that the Administration didn't think anything about it when they came up with the FEC's budget," said Al Swift, D-Wash., the chairman of the House Administration Subcommittee on Elections. Swift said that he would like to see the FEC's budget boosted, but he is not optimistic.

What makes this situation even more bizarre is that the FEC lacks the resources to meet its existing responsibilities, let alone additional ones. The commission, for instance, has already determined that in addition to auditing the campaign committees of the 1992 presidential candidates, as the law requires, its staff wants to audit roughly 100 other committees that are required to file reports with the commission.

So far, according to Potter, about 8 of those nonpresidential audits are under way, and with any luck, 20 will be completed by the end of the year. So what happens to the other 80 committees that the commission staff has already said should be audited? "Those 80 will disappear," Potter said. They'll be superseded by audits that the commission staff will propose for 1994 campaign committees. "At some stage you say, 'We are better off dropping the old ones,'" Potter said.

It's not only the audits that are going begging for lack of staff resources. Potter said that roughly half the commission's existing caseload—investigations triggered by complaints from outsiders or by internal FEC audits, don't even have staff lawyers assigned to them.

"We are not enforcing the current law in its entirety," said Potter, who is advocating a budget of $31.8 million, enough for an FEC staff of 347.

If Congress gives the commission more money than Clinton has asked for, that would be a welcome sign that at least it is cognizant of the costs of reform. Potter, however, is not hopeful.

"My sense is there has been no connection between the FEC's current budget and campaign finance reform," he said. The Senate and House bills call for significant changes in the way that congressional candidates must run their campaigns; both would impose over-all campaign spending limits, for example, and provide for some form of federal matching funds.

Such provisions apply now to no more than about a dozen presidential campaigns every four years. Extending them to Senate and House races will mean that every two years, more than 1,000 campaigns will have to be monitored more closely for their compliance with the law.

And the likelihood that any campaign finance bill that Congress passed will have separate sets of rules to satisfy the different political needs of House and Senate Democrats will only further complicate the commission's work. "Just implementing the proposed House and Senate financing schemes would require an enormous increase of the commission's staff and resources," said Daniel J. Swillinger, a former FEC assistant general counsel who now has a private election-law practice in Washington.

"A worst-case scenario is we get all these new responsibilities and our budget stays the same," Potter said. If that happens, he said, he foresees a situation in which "either people are violating [the new law] and not being pursued or it's taking too long to pursue them."

Another action by the President that leads some observers to question his sincerity about political reform is his decision to appoint Lee Ann Elliott and Danny L. McDonald to their third six-year terms on the commission. The FEC's critics say that the commission is sorely in need of new blood at the top. They also contend that forcing sitting commissioners to win support for their reappointment from congressional leaders of both parties—a time-honored practice—makes it at least appear that they are beholden to the very people they are supposed to be regulating.

"It is inconceivable to us that any Administration that has a commitment to reform would act on these two issues in this manner," said Ellen S. Miller, executive director of the Washington-based Center for Responsive Politics, a campaign finance watchdog group. "These are two easy areas to demonstrate an understanding of the problems and the need for change."

Members of Congress have an opportunity to step up to the plate on these issues. They can boost Clinton's FEC budget request, act in conference to harmonize the differences between the House and Senate bills and limit the terms of FEC commissioners. Such steps would send a signal about their commitment to campaign reform. ■

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